

THE INDEPENDENT



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FRIDAY JANUARY 24 1997

WEATHER: Cold and grey

(145p) 40p

THE TABLOID

Acts of love from Bob Geldof, Blur, Lou Reed, Dave Stewart, Pet Shop Boys, Holly Johnson

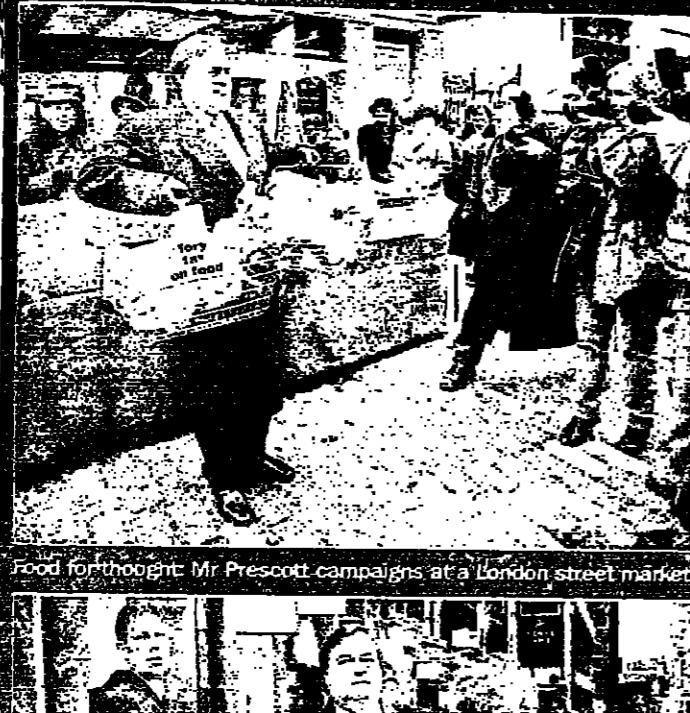


COMMENT PAGE 18

Suzanne Moore: what makes superwoman?



A day in the life of... the Deputy Prime Minister-in-waiting



Good for the people: Mr. Blair campaigns at a London street market



Next stop: Talks await with prospective parliamentary candidates



Where's my car? I'll miss my appointment at the Grosvenor Hotel...



Feet first: Mr. Blair makes a dash towards his vehicle at Victoria



Running behind: The deputy leader continues his late show

Photographs: Brian Harris

Blair's candidates, page 8

Boeing's Super Jumbo is revealed

Exclusive
by Michael Harrison

Is this the shape of air travel to come? A giant flying wing capable of transporting 800 passengers from London to Los Angeles for three-quarters of the current air fare?

The Americans think it might be. McDonnell Douglas, the US aircraft manufacturer, and the space agency Nasa are about to test fly an unmanned 17 foot model of the futuristic jet liner at Stanford University, in California. If the \$3m government-funded pilot project is successful, the developers plan to spend \$100m putting two quarter size models in the air before the end of 1999. Nasa and the company have a "handshake agreement" to proceed.

At best the aircraft will not be carrying fare-paying passengers before 2010 but aviation experts believe it could revolutionise airline economics. Its blended wing body (BWB) design uses a third less fuel and is 12 per cent lighter than rival super-jumbo jets being developed by other manufacturers; operating costs could be cut by up to a quarter.

Passengers sit in a double-decker format built inside the wing. Three engines are mounted above the body at the back to cut down on drag by sucking air rapidly over the wings. A spokesman at the McDonnell's Advanced Transport Aircraft Systems Group in Longbeach, California, said: "We now have 20 en-



McDonnell Douglas BWB-1-1			
Length: 48m	Height: 12.5m	Passenger: 800	
Span: 86m			
Range: 7,000 nautical miles			
Airbus A3XX-200			
Length: 77.4m	Height: 24.3m	Passenger: 656	
Span: 79m			
Range: 7,650 nautical miles			
Boeing 747-600X			
Length: 84.5m	Height: 21.7m	Passenger: 555	
Span: 77.7m			
Range: 7,750 nautical miles			
Boeing 747-400			
Length: 70.6m	Height: 19.4m	Passenger: 400	
Span: 64.5m			
Range: 7,300 nautical miles			

gineers working on the programme. The test flight at Stanford will evaluate the aircraft's low speed flight control. The stage we are now at with Nasa is deciding whether it is worth the expense of investigating the technology further. We want to proceed with it and when the Nasa administrator Dan Goldin came to see it several months ago he became very enthusiastic as well."

At 49 metres, the BWB is only two-thirds the length of the super-jumbo A3XX which is being developed by Europe's Airbus Industrie. It is a 650-1,000 seater with a range of 7,650 miles. But its wing span, at 88 metres, is the length of an American football field. Airbus says the A3XX will cost \$8bn to develop and will be in service by 2003, provided it gets the launch go-ahead. It esti-

mates there is a market for 1,380 such aircraft.

Boeing, the world's biggest jet manufacturer, shelved its own plans for a super-jumbo, the 747-600X, earlier this week, claiming that demand was too small to justify its \$70m development costs.

However, Boeing is in the process of taking over McDonnell Douglas for \$13m. Graham Ennis of Condor

Aviation, an aerospace design consultant who has followed the development of the blended wing body, believes this could be one reason why Boeing shelved its own programme.

Other observers reckon that the cost of developing the radical new design – anything up to \$20bn – will mean it never gets off the drawing board. But that is what was said 30 years ago about Concorde.

Major winks at the Tory Euro-sceptics

Colin Brown
Chief Political Correspondent

John Major sent a clear signal to the Tory Euro-sceptic rebels that it was "very unlikely" Britain would join a European single currency in the first wave, even though the Cabinet agreed to make no change in its policy on Europe before the election.

The face-saving compromise enabled the Prime Minister to harden the Government's Euro-sceptic rhetoric without risking the resignation of the Chancellor, Kenneth Clarke, who insisted after a Cabinet meeting lasting one and a half hours that Britain had not ruled out joining the single currency.

It means the Tories can go into the election with the "wait-and-see" policy unchanged, but with the clear impression that they would not join the first wave. The Cabinet was clearly hoping it was enough to unite the party for the election campaign, but it appeared to have failed in that objective.

The Prime Minister and the Chancellor spent the day underlining the message that Britain was unlikely to join a single currency by the start date of 1 January 1999 in an effort to persuade Tory Euro-sceptic candidates to abandon their threat to issue their own election addresses ruling out their support for a single currency.

"If you're standing as a Conservative candidate you're standing in support of this policy and I very much hope that people not stand for election qualifying the policies of the party whose nomi-

nation they've sought," Mr Clarke said on BBC radio.

Michael Howard, the Home Secretary, and leading Euro-sceptics in the Cabinet were outflanked by Mr Clarke with the backing of Mr Major, Malcolm Rifkind, the Foreign Secretary, and Michael Heseltine, the Deputy Prime Minister. They accepted defeat after the Chancellor presented a paper saying Britain could not judge whether the terms for entry were being fudged by other countries until well after the election.

Announcing the policy in the Commons, Mr Major said: "On the basis of

information currently available, it is very unlikely but not impossible that the single currency can proceed safely on 1 January 1999, but if it did proceed with unreliable convergence we would not of course be part of it."

Mr Major studiously avoided using Mr Clarke's words, that entry was not being ruled out, to imply that Britain could enter.

Other senior ministers when pressed to say it was not ruled out, repeated the Prime Minister's formula. That could

prove difficult to sustain in the campaign.

Mr Heseltine warned Euro-sceptics earlier this week he and Mr Major would be "hounded" during the election if they fought on different policies. But the message failed to persuade them to back down. "It is not a policy change. It is the same as before," said Iain Duncan-Smith, a leading Euro-sceptic. "It won't do. It just won't wash with the public," said a former minister.

Norman Lamont, the former Chancellor said: "I welcome anything that makes it less likely that we shall join the single currency. A journey of a thousand miles begins with a single step."

The former leadership challenger, John Redwood said the policy of "wait and see" had been reaffirmed by the Cabinet but he welcomed the signal that it was unlikely to see Britain entering the single currency by the start date in 1999. "I trust this means Britain will use its voice and vote to ensure that there is not a fudged currency for anybody."

A former minister said there was now "sullen acceptance" by the Euro-sceptics that they would fight on different agendas at the election, increasing the impression that some have their sights set on the leadership election, which would follow a Tory defeat.

Sources close to Mr Clarke said: "We have had a deepening rather than a change of policy. We have not ruled out entry but we have said it is very unlikely we will be in the first wave. It is a compromise everyone can live with."

Donald Macintyre, page 18

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QUICKLY

Shares soar

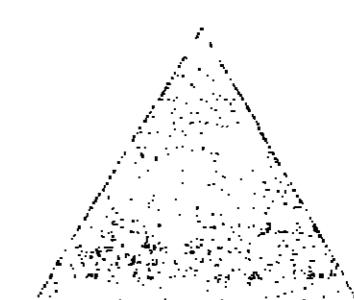
Shares in London gained nearly £1bn yesterday as the pound dived on the foreign exchanges as speculators off-loaded sterling. Report, page 20. Commercial page 21

Win for Cardiff

Cardiff has seen off a final bid from Glasgow to emerge as host city for the European heads of government summit in June. Page 10



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pi.



And a beer to go with it.



Bass BEST SELLING PREMIUM CASK ALE SINCE 1777

posed to be co-operating, have had enough.

A delegation from the police unions went to the Prime Minister's office this week and, in effect, begged for the most elite, feared and unusual unit in the French army to be kept away from the capital. The final straw seems to have been the sight of a legionnaire, once again at Denfert-Rochereau, patrolling the corridors of the metro with an anti-tank rocket launcher strapped to his back.

This incident, also witnessed by a senior police officer, received a deadpan denial yesterday from the military command. None of the 320 legionnaires taking part in the "Vigipirate" anti-terror campaign, it said, was equipped with an anti-tank rocket launcher.

The Vigipirate campaign was introduced in September 1995 in response

to a wave of murderous attacks on underground trains, using home-made bombs fashioned from gas canisters and nails. The attacks are believed to be part of a campaign by French-based sympathisers with the anti-government campaign waged by fundamentalist Islamist groups in Algeria. Paris is on special alert at present following tips to the French intelligence services that further attacks are planned during the celebration of Ramadan, which began two weeks ago.

The Prime Minister's office told the police unions that the legionnaires would be reminded of the limits under which they were supposed to operate. The legionnaires were due to be relieved by other military units this week in any case. No commitment was given to keep them out of the capital in future.

Leading article, page 17

Photo: AP

John Lichfield

Paris

Scene, Denfert-Rochereau metro station in Paris. A bunch of unsuspecting tourists goes up to a group of soldiers on anti-terror duty and asks for information. One soldier yells back at the tourists in what a senior police officer describes as a strong Hungarian accent: "We are not here to give directions. We are here to kill people."

It always seemed like a risky idea. The French Foreign Legion, veterans of every colonial and post-colonial punch-up for 160 years, two-thirds of them foreigners of uncertain background, are patrolling the Parisian Metro as part of the government's anti-terror campaign. After two weeks, the Parisian police, with whom the legionnaires are sup-

posed to be co-operating, have had enough.

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Leading article, page 17

Photo: AP

SEIKO KINETIC

New model army in the Major mould

Plan to extend school cadet corps pilloried as Tories' latest election gimmick

James Cusick

Like Oliver Cromwell before him, John Major is planning a new model army – by putting more of Britain's pupils on parade. Mr Major's scheme for a modern cadet corp, which could find its way into the Conservative's election manifesto, was yesterday praised, but more often pilloried as the latest "political gimmick" to insinuate "Queen and country" discipline into Britain's wayward youth.

Under the plan floated by the Secretary of State for Defence, Michael Portillo, the current 130,000 cadet force, which operates out of only 45 state schools, would be expanded to give every school pupil over 13 the opportunity to join the ranks.

In line with Mr Major's classless society, the popular image of the cadets as a coterie of public-school patriots would change, as Mr Portillo said yesterday, to mean "excellent opportunities for all young people ... to play a marvellous role on our society. They help young people towards the good values of life, towards self-esteem, self-discipline, team work and respect for others."

Such a notion was immediately attacked by Peter Miller, president of the Secondary Heads Association. "They are probably making an equation between military discipline and the difficulties teachers have with some children these days. But it doesn't work like that."

During his days at Harrow County Boys School, Mr Portillo chose not to play at the "marvellous role", opting instead for the Scouts. And John Major, at Rutlish Grammar in south-west London, was a cricket-playing pacifist who avoided the Combined Cadet Force. Tony Blair at Fettes College in Edinburgh was drafted into the cadets, but sought an honourable discharge as soon as he could to begin community work.

But yesterday at Rutlish, now a comprehensive, no one in the CCF was complaining about their most illustrious old boy's



Choice of uniform: A boy salutes fellow Rutlish pupils in south-west London, while members of the school's Combined Cadet Force consult by their hut

Photograph: Peter Macdiarmid

plans. Michael O'Neill, 15, has been in the school's CCF for two years and is considering joining the Royal Air Force as an engineer. "I like it. I've made good friends and it's hard work," he said.

Every Wednesday and for weekend and summer camps, Michael dons the blue dress and beret of the CCF. The cadets have their own hut; they drill; they learn about military technology; and they have access to a wide range of sports and outdoor activities. Michael particularly likes the military discipline. "You have to polish your boots, make sure your uniform is neat and pressed. Keep your hair short," he said, adding: "It's important to me."

A quiet, well-mannered schoolboy, he is also a good rifle shot. He sees no problem in having access to rifles. "We're

trained, trained to respect them. So there are no problems."

But Jill Marshall-Andrews of the Gun Control Network said the Government now appeared to be encouraging the next generation to embrace guns "and to get some pleasure from them".

Christopher Lawrence, 17, now in his fifth year of the CCF at Rutlish, and a former sergeant, said few joined just to get access to guns. Technology teacher John Humphries, a former commander of the school's CCF said: "I'd rather have a child trained to use a weapon than not. But I'd rather not have any weapons at all."

He said that the cadets' open day usually swelled the ranks, but once boys learned the realities of the corp, the drop-out rate was high. Of Rutlish's 940 boys, only 60 are in the CCF.

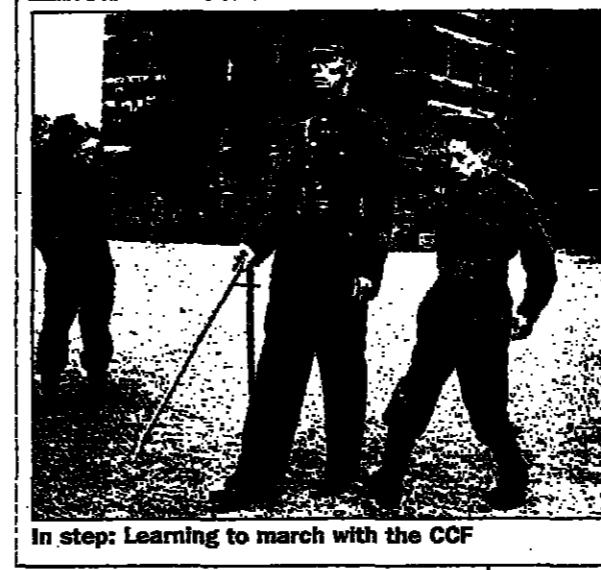
Headteacher Tony Mooney

said: "If the MoD put money into schools, I would seriously say to other schools, look at it for what it offers." That cost of expanding the CCF to all schools, Labour Party analysts say, would be up to £1.5bn.

However, as the uniformed cadets marched through the Rutlish playground yesterday, most boys seemed unimpressed by expansion plans. Chris Pearson, 13, said the CCF was "not for him". Was he a conscientious objector? Did he have strong moral grounds? Was he a pacifist? "No, the CCF is on Wednesday nights. And I do something else on Wednesday nights. And the boots, I mean you can't play football in those boots."

His friend Patrick Thorburn, also 13, added "I object too." Why? "Eh, I can't quite remember. Just put it's not quite me."

A force for good born out of the threat from invasion



In step: Learning to march with the CCF

Cadet forces began to form part of the national service in the 1860s when the British were under danger of invasion from Napoleon III. When the threat disappeared the units continued as they supposedly kept boys out of trouble and off the streets, writes David Garfinkel.

Under the 1908 Haldane scheme, public schools and universities were asked to contribute to the OTC, Officers' Training Corps, with the aim of having a trained reserve of officers. After the First World War a reduction of grants and recognition saw numbers dwindle to around 1,300, and only the devotion of a few individuals kept the force alive.

During the Second World War the OTC was abandoned and in 1948 replaced by the Combined Cadet Force and University Training Corp. The CCF initially consisted of 54,000 members across all the forces.

The modern force aims to provide youngsters aged between 14 and 18 with the qualities of leadership, endurance and a sense of public service. It attempts to instill a sense of maturity – rather than military training.

Today the CCF operates in 198 private schools and 45 state schools. There are 39,735 participants with 2,048 instructors who are generally teachers.

French patient is first to be infected with Aids by doctor

Liz Hunt
Health Editor

A woman in France became infected with the Aids virus after being operated on by a surgeon in what is believed to be the first documented case of doctor to patient transmission.

The woman, one of 3,000 operated on by the surgeon who did not know for 10 years that he was HIV positive, is only the second case worldwide in which a healthcare worker is thought to have transmitted HIV to a patient. A dentist in Florida was blamed for infecting five of his patients during the late 1980s.

In France, where the details of the case have just emerged, it has prompted an overhaul of procedures in the health service following what are known as "professional accidents".

The surgeon, Dr Patrick Cohen, had operated on the

woman twice between 1992 and 1993. During the second, lengthy and difficult operation, he had pierced his gloves and injured his hands. His blood is thought to have contaminated the patient through her open wounds.

Dr Cohen, an orthopaedic and trauma specialist, believes he became infected with HIV in 1983 after operating on a woman who had received several blood transfusions. He was unaware of his HIV status until his health failed and he was diagnosed with Aids in 1993.

In 1995 he wrote to the French ministry of health asking that his former patients, about 3,000 people, be traced and offered HIV antibody tests. A total of 968 patients who were then agreed to have the test and one was found to be HIV-positive.

According to a report in

tomorrow's issue of the *British Medical Journal*, the woman was known to have received a blood transfusion at the time of her operations from two donors, both of whom had tested and continued to test, HIV-negative.

Professor Luc Montaigner,

the man who first identified

HIV in 1984, was asked to

analyse HIV taken from the

woman and from Dr Cohen. He

concluded that the two viruses

were very similar and that "a

great probability existed that

HIV transmission occurred

between two patients".

Professor Montaigner de-

scribed the incident as exception-

ally rare, pointing out that Dr

Cohen's blood would have been

highly infectious, as he had ac-

quired the virus nine or 10

years previously, had never re-

ceived treatment and was pro-

gressing towards full-blown

Aids at the time of the opera-

tion, when transmission oc-

curred. He recommended that

healthcare staff be encouraged

to report professional acci-

dents; surgeons should be

tested following any injury

which could result in the trans-

mission of HIV, and that HIV-

positive staff surgeons should

not perform invasive or complex

procedures on their patients.

An American study of 22,000

patients treated by HIV-positive

staff did not find a single case

of transmission of the virus.

A number of doubts have

lingered about the case of the

Florida dentist, David Acer,

and how transmission to five of

his patients actually occurred in

that case.

There are a number of cas-

es in which staff have been in-

fected by HIV-positive patients

through needlestick injuries or

other routes of exposure.

Sega fires missile at competitor as video games war heats up

Clare Garner

Away from the small screens where children are slugging it out with Super Mario to beat their best friend's record, a mightier, mega-bucks battle is being fought out.

In a bid to stay in the game, the computer games giant Sega announced yesterday that it is to buy Japan's largest toymaker, Bandai Co, for \$1.09bn (£653m).

The acquisition of Bandai's stable of characters, which includes the Power Ranger line, is likely to boost Sega's standing in the increasingly competitive – and lucrative – world video games market. The new company, Sega Bandai, will be formed in October. At twice the size of Nintendo, it will be among Japan's biggest entertainment companies.

Sega has been lagging behind its main rivals, Nintendo and Sony, for some time. Nintendo pulled ahead on the technological front with its 64-bit player



which is able to play more realistic and faster games. The player, which has grabbed 60 per cent of the American market, will be released in Britain on 1 March.

At present, Sony's PlayStation is leading the field in Britain. Christmas was dominated by the 32-bit CD-Rom player, with its PlayStation games *Fifa 97* for football fans and *Die Hard*, based on the Bruce Willis films.

Eleven million PlayStations have been snapped up in just

two years, and recent defections by game makers from Nintendo and Sega to Sony are likely to mean a barrage of new games to keep the PlayStation selling.

In contrast, Sega has sold a mere seven million of its 32-bit Saturn machines since releasing them more than two years ago. Last month the company lowered its profit forecast for the year to March after its US affiliate wrote off \$61m (£37m) of outdated 16-bit machines which never sold.

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news

Police role in Clwyd abuse case defended

Roger Dobson

Lawyers for the North Wales police force yesterday strongly denied that there was any cover-up in the investigations into allegations of abuse at children's homes in the region.

The police acted throughout with integrity, dedication and skill, Andrew Moran, QC, counsel for North Wales Police, told the Waterhouse Tribunal, which is investigating the allegations of physical and sexual abuse against hundreds of children.

And it was, Mr Moran said, through the efforts of the police and the courage of the victims that abuse on such a frightening scale was revealed.

"We will demonstrate that North Wales Police acted efficiently, with integrity and robustly in the pursuit of truth. One of the objectives of the North Wales Police at this tribunal is to show that fanciful, untrue and unsupported allegations reflecting upon the integrity of the North Wales Police are publicly shown to be just that," he said in his opening speech to the tribunal, which is being chaired by Sir Ronald Waterhouse.

Mr Moran also rejected allegations of Freemason links within the police, and produced a list of serving and former chief constables, deputy chief constables, and assistant chief constables, who were not Freemasons. "Where then is the Mason link?" he asked.

On the third day of the tribunal hearings, which are expected to last a year and cost up to £10m, Mr Moran said the tribunal was the first time that North Wales Police could present its case and show that it had behaved with integrity and professionalism.

He said: "This is the first opportunity for the force to

demonstrate, free from the constraints that would normally prevent a full exposition of the facts, that it responded appropriately to allegations of abuse of children in care.

Those constraints have effectively compelled the force to sit back until now, biting its corporate tongue, but happily no longer is the case.

He continued: "North Wales Police is a body of individual officers, decent men and women, married and single, with or without families and children of their own, who would be, and have been, deeply upset at the suggestion that they would not pursue with the utmost vigour those who could do what was done in these cases to vulnerable children, if they had been given any indication of what was going on."

He added that North Wales Police would fully co-operate in the work of the tribunal.

"We will seek to demonstrate that from the almost impenetrable darkness of abuse as a human activity as the abuse of children, there was revealed by the courage of victims and the efforts of North Wales Police, abuse of children in the care of the local authority, emotional, physical and sexual, on a frightening scale.

On Bryn Estyn, the now closed home in Wrexham where there have been 138 complaints of abuse, he said there had been a powerful culture of concealment among the staff working there.

"We have extracted from police statements instances of concealment or inaction so numerous they are tabulated over many pages.

"This culture of concealment was aided by certain members of staff who saw no evil, heard no evil and certainly spoke of no evil to the police," he said.



Spring of discontent: A worker from the Halewood plant outside the meeting between Ford and the unions yesterday. Photograph: Andrew Buurman

Labour faces pre-election Ford strike

Barrie Clement
Labour Editor

The Labour Party was faced with the prospect of a high-profile pre-election strike by 30,000 Ford workers after the company yesterday refused to drop plans to axe 1300 jobs at Halewood, Merseyside.

Last-ditch attempts will be made by union leaders over the next seven days to persuade the company to produce the replacement for the present Escort at the Merseyside plant.

At a meeting in west London yesterday union leaders failed

privately, however, workers' representatives did not expect Ford to change its mind and union officials predict a strike ballot will go ahead, with the result in about six weeks' time.

Given the statutory seven days' notice for industrial action and the legal stipulation that the first strike must be within a month of the ballot result, stoppages could be staged uncomfortably near the general election for Labour.

At a meeting in west London yesterday union leaders failed

to persuade management to change its mind, but Jack Nassar, the company's vice-president, is expected to meet employees' representatives during the next week.

Tony Woodley, chief union negotiator, accused Ford of "cynicism of the highest order" for taking advantage of the relatively liberal laws in Britain to get rid of a third of the workforce at Halewood. "It is clear that it is cheaper to sack British workers than German, Belgian or Spanish workers," he said.

The present Ford Escort is produced at Halewood, Saarbrücken in Germany and Valencia in Spain, but only the last two plants have been chosen to make its replacement. Mr Woodley believes the decision means that Halewood will be closed in the long term.

He argued that British Escorts were £500 to £1,000 cheaper to produce than the German versions. The future of jobs at Southampton, Bridgend, Swansea and the Dagenham engine plant were now in

doubt because their function was duplicated on the Continent, Mr Woodley said.

The unions pointed out that Britain was the only European country where the company had a major presence and where more Ford cars were imported than exported. In 1995, the output of Ford cars in Britain amounted to 85 per cent of the sales in this country. The proportion for Germany was 132 per cent, Belgium 1,070 per cent, Spain 213 per cent and Portugal 115 per cent.

Sex shops targeted in drug crackdown

Jason Bennett
Crime Correspondent

A nationwide clampdown on the sale of "poppers", a widely available aphrodisiac, is being launched by the Government amid concerns that the illegal substance is harmful.

As reported in *The Independent* last month, bottles of amyl nitrite and similar drugs face a ban following a successful court case to outlaw their sale. Earlier this month, the law was changed to make poppers, which can be used to treat angina, only available on prescription.

But the Department of Health yesterday announced that its inspectors, local authority's trading standards officer, and the police, are to target shops selling poppers, particularly in red-light districts. They are also keen to stop American manufacturers from supplying

British outlets. The move follows a campaign by the Royal Pharmaceutical Society which argues that the chemicals in poppers can kill and may be linked to a type of cancer - Kaposi's sarcoma - that people with HIV sometimes develop.

The drug, which costs about £4 for a small bottle contains the chemicals amyl, butyl or isobutyl nitrite. The effects of inhaling it include a euphoric rush and enhanced orgasm.

The drug is particularly popular among gay men and is available from sex shops, clubs and mail order.

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David Lister
Arts News Editor

The English National Opera is under fire for its plan to use the London Coliseum and its artistic standards. It is asking for its debts to be paid by the National Lottery. Money will be used for the first time to help off deficits of arts companies. Fifteen companies were asked by the Arts Council to share out £15m of the money under the new "set aside in fund".

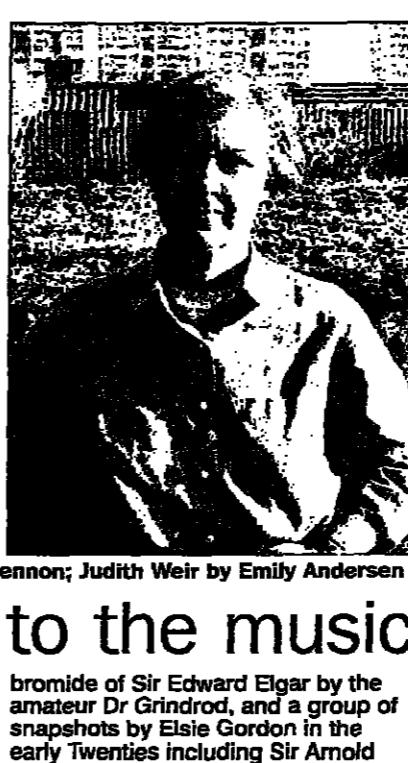
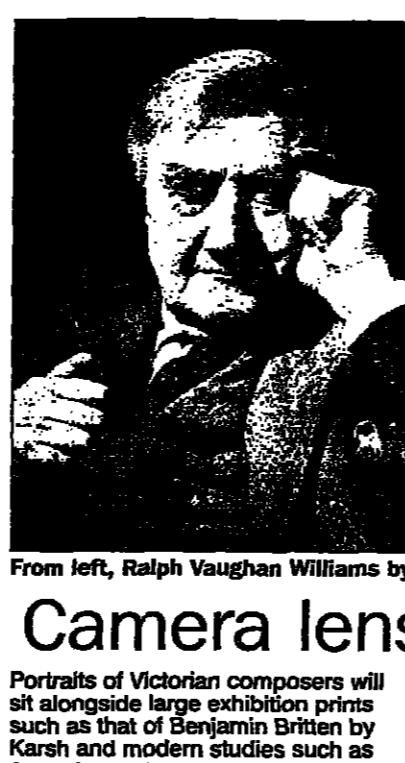
The scheme officially recognises the support needed to go on their operations and is based on a former and more basic plan.

Mary Allen, Secretary of the Arts Council, said: "It should not be termed as 'a bailout but a lifeline' though she added: "There are debts, and some amounts will be for debts, but that will not be the case if it accompa-

ny a programme for change. It will be decided after how much of the £15m and the other £5m mentioned will receive the ENO has an as-

set aside of more than £15m. When it comes to the case, the Government is for a

set aside of more than £15m. When it comes to the case, the Government is for a



Camera lens gives a face to the music

Portraits of Victorian composers will sit alongside large exhibition prints such as that of Benjamin Britten by Karsh and modern studies such as Annie Leibovitz's 1970 picture of John Lennon in a new exhibition celebrating 150 years of photographs of British composers, writes David Lister. The

show, "Variations On A Theme", opens at the National Portrait Gallery in London today. Many of the exhibits come from the gallery's archives and are rarely on view. A series of concerts in the gallery will feature music by composers from the exhibition. The exhibition has a large sepia

bromide of Sir Edward Elgar by the amateur Dr Grindrod, and a group of snapshots by Elsie Gordon in the early Twenties including Sir Arnold Bax, Percy Grainger and a rare glimpse of Maurice Ravel. Emily Andersen's Judith Weir, taken this month, is the most recent offering.

James Macmillan, whose music reflects his interest in Scottish nationalism, by Barry Marsden (1994)

Judges end the right to peaceful protest

Patricia Wynn Davies
Legal Affairs Editor

There is no legal right to hold peaceful, non-obstructive demonstrations on the highway, and the police are entitled to use new public order powers to stop them, two senior judges declared yesterday in a far-reaching test case.

The case, which contradicts

what many people have always viewed as a "right", arose out of the clearing of the first two people charged with trespassing assembly under the 1994 Criminal Justice and Public Order Act, and was the first test of whether the police could use their new powers to clamp down on peaceful protest.

Giving backing to the new offence, the judges ruled that "any" assembly of at least 20 people would fall foul of it, however peaceable and non-obstructive and whether or not it threatened public order.

Dr Margaret Jones, a lecturer in literature studies at the University of the West of England, and Richard Lloyd, a housing assistant, had taken part in a peaceful roadside demonstration alongside

the Stonehenge perimeter fence while an order under the Act, banning an assembly of 20 or more people, was in force.

They were found guilty by Salisbury magistrates last year, but the convictions were overturned on appeal to the Crown Court, which said the assembly was lawful because it was peaceful and did not obstruct the highway.

That view was decisively re-

jected by Lord Justice McCowan and Mr Justice Collins, who upheld an appeal by the Director of Public Prosecutions and invited the Crown to pursue the charges again before a differently-constituted Crown Court.

Emphasising the impact of the 1994 Act, on which the Labour Party abstained, Lord Justice McCowan said the lower court's judgment "leaves out

of account the existence of the order." Mr Justice Collins said the holding of peaceful meetings, demonstrations or vigils on the highway might be "tolerated" if they did not cause obstruction, "but there is no legal right to pursue them."

While this dispute concerned Stonehenge, people could be at risk of prosecution if - without obstructing other members of

the public - 20 or more of them congregated outside a fur shop, a school where parents were protesting over discipline, or the offices of a council contemplating building on the green belt. All the police would need to do would be to seek an order under the Act from the local council.

The case is likely to reach the European Court of Human

Rights. Mr Justice Collins yesterday rejected an argument that the ruling would breach Article 11 of the European Convention of Human Rights, guaranteeing freedom of peaceful assembly. He insisted that there was still an "ability" to hold a peaceful assembly. But the ruling means that this "ability" will always be in the gift of the police.

Fashanu 'in touch with betting ring'

Michael Streeter

The former professional footballer John Fashanu was in constant contact with a man accused of representing a Far Eastern syndicate betting on fixed football matches and shared a common interest in the game but was more concerned with business. A court was told yesterday.

Glynn Mason, an employee of Mr Fashanu, told Wiltshire Crown Court that the presenter of television's *Gladiators* concentrated most on his growing media and business career and had negotiated a contract with his club, Wimbledon, in which he did not have to train and received a fee for turning up at matches.

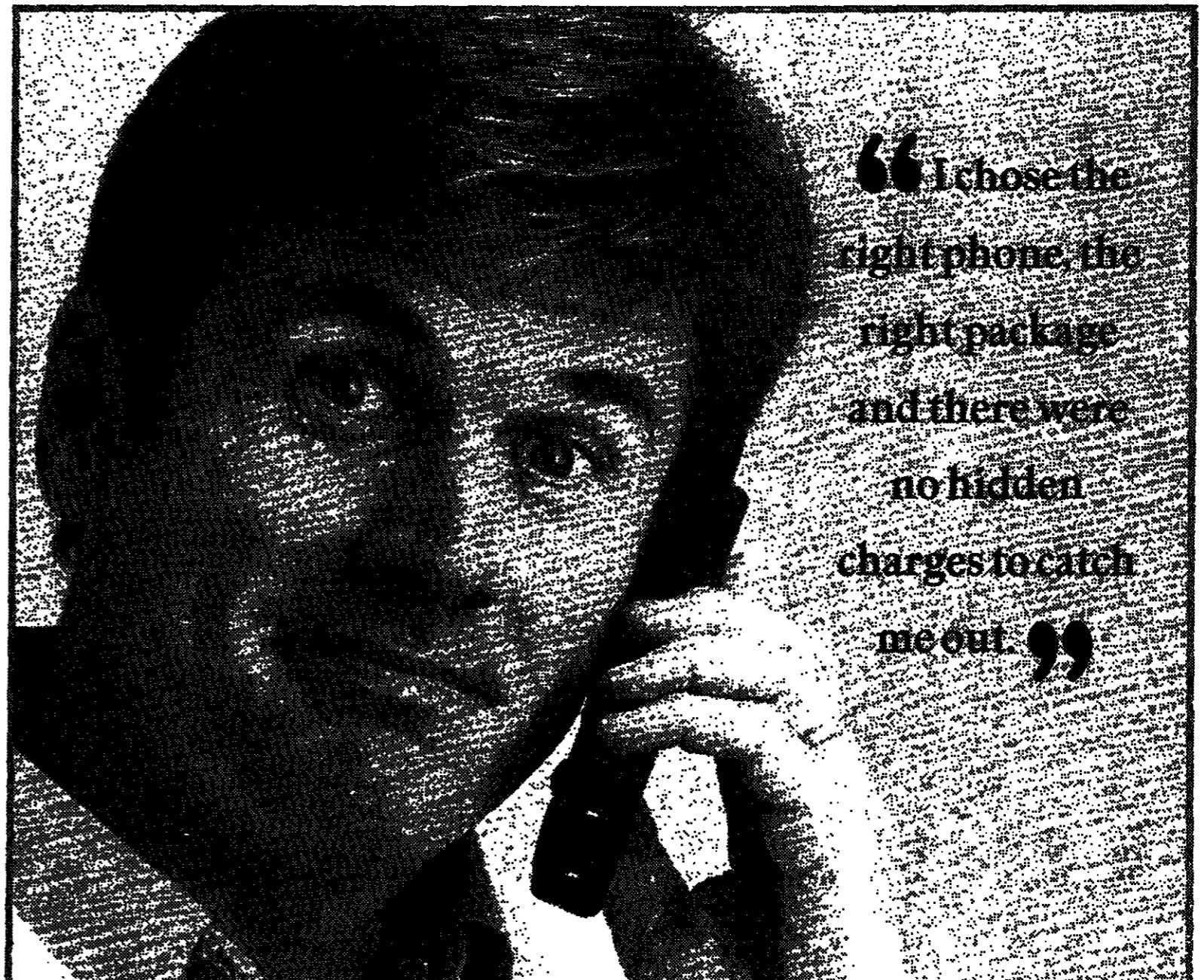
Mr Mason said Mr Fashanu and fellow defendant Heng Lim, known as Richard, often discussed football, adding: "Mr Fashanu isn't the best person to ask. Sometimes he wouldn't

know who he was playing when he went to a match." Mr Fashanu had three businesses. One, Fash Enterprises, was for his television and newspaper work and appearances he made, another was a construction firm and the third, Blue Orchid, had been set up to promote football in Africa. The companies operated from Warm Seas House, Wellington Road, London, near Lord's cricket ground, and Mr Fashanu had a flat in the same block, he said.

In 1992-93 Mr Fashanu had a contract with a South African broadcasting company to predict the results of forthcoming English league matches, said Mr Mason. There would be a phone link to South Africa, a photograph of Mr Fashanu on screen, and Mr Fashanu would predict the results of games.

Questioned by Desmond de Silva QC for one of the defendants, Hans Segers, the former Wimbledon goalkeeper, Mr

The case continues.



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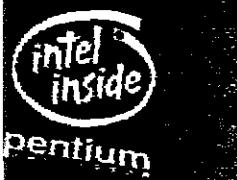
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Birthday party: The bronze statues of a family outside the National Hockey Centre in Milton Keynes, photographed on deserted streets early yesterday morning on the day of its 30th anniversary.

Photograph: Nicola Kurtz

Priest's adultery trial collapses

Andrew Brown
Religious Affairs Correspondent

The last trial of an English priest for adultery in front of one of the oldest courts in the country ended abruptly yesterday when all charges against the Rev Edward Glover were withdrawn. Psychiatric evidence was brought to show that his accuser, Margaret Orpen, could not be believed when she claimed he had seduced her and made her pregnant.

The judge, the Rev Canon Peter Burrell QC, said: "This

charge of St Alban's, Tringdon. The bishop, Dr Michael Turnbull, heard from both parties to the case, and concluded that there was a case to answer. So did the "examiner" he appointed in the ecclesiastical equivalent of a magistrates' court hearing. The case then could not be stopped or withdrawn until it reached open court yesterday.

Yet the court was told that the prosecution, once it began to prepare its case, had found evidence that Mrs Orpen had repeatedly been told by doctors that she was not pregnant and had not been at the relevant time. A graphologist gave evidence that she had in fact written a letter in which she admitted that he did not love her - though she denied this in an affidavit to the examiner.

This, said the judge, explaining why he was allowing the prosecution to withdraw its case, was evidence that she had lied on oath at least once.

Judge Burrell said: "The psychiatrist would say that Mrs Orpen is suffering from a psychiatric syndrome. She has been diagnosed after a very full assessment by an eminent psychiatrist, as suffering from a condition - I don't think I need to name it - which explains her conduct. The illness itself is one which is delusional."

Mrs Orpen was not in court to hear this, but she said in a statement that she still maintained her charges, even though she admitted they could not be proved.

A statement issued on behalf of Mr Glover afterwards, explaining why he had allowed the case against him to be withdrawn, said: "His compassion is such that he felt it wrong to see Mrs Orpen suffer under what would be a very proper but rigorous cross-examination.

The allegation today is one of many that have been made against him. He has been accused by Mrs Orpen of many things, and his family have been harassed with telephone calls at all hours of the day and night."

The Sun had published her story under the headline: "Randy vicar revved me up with a bonk in his Volvo."

Judge Burrell said: "There can be and is no criticism of that newspaper for publishing that complaint. However, it was only after that article had appeared in the press that any complaint was made to the Bishop of Durham alleging that Mr Glover had been guilty of adultery with Mrs Orpen, one of his parishioners."

Both Mr Glover and Mrs Orpen are married, with children. He was at the time priest in

Last gasp of an ancient court

The collapse of the trial of the Rev Edward Glover, after evidence came to light that his accuser was mentally ill, was probably the final gasp of one of the oldest and least efficient courts in England.

The Consistory Court can be traced back to the time of Edward the Confessor. In recent years they have usually been used to determine questions of church alterations. But they have also been used twice in the last 30 years in cases of sexual misconduct, each time with expensive and unsatisfactory results.

The Rev Tom Tyler, a Sussex vicar, cost the church £300,000 in legal costs before he was finally convicted of adultery with a

parishioner. In 1995, the Dean of Lincoln, Dr Brandon Jackson, was acquitted of adultery with a trainee vicar after a three-day trial costing £100,000.

Yesterday's trial was inevitable under the Ecclesiastical Jurisdiction Measure of 1963, since the prosecution had no opportunity until it came to court to withdraw its case in the light of the evidence.

The General Synod has approved new national tribunals to replace the old system. These, proposed by Canon Alan Hawker, will lead to an increase in trials according to one member of his committee. But these trials will be fairer and quicker.

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Non-existent children who cost £100m

Fran Abrams
Political Correspondent

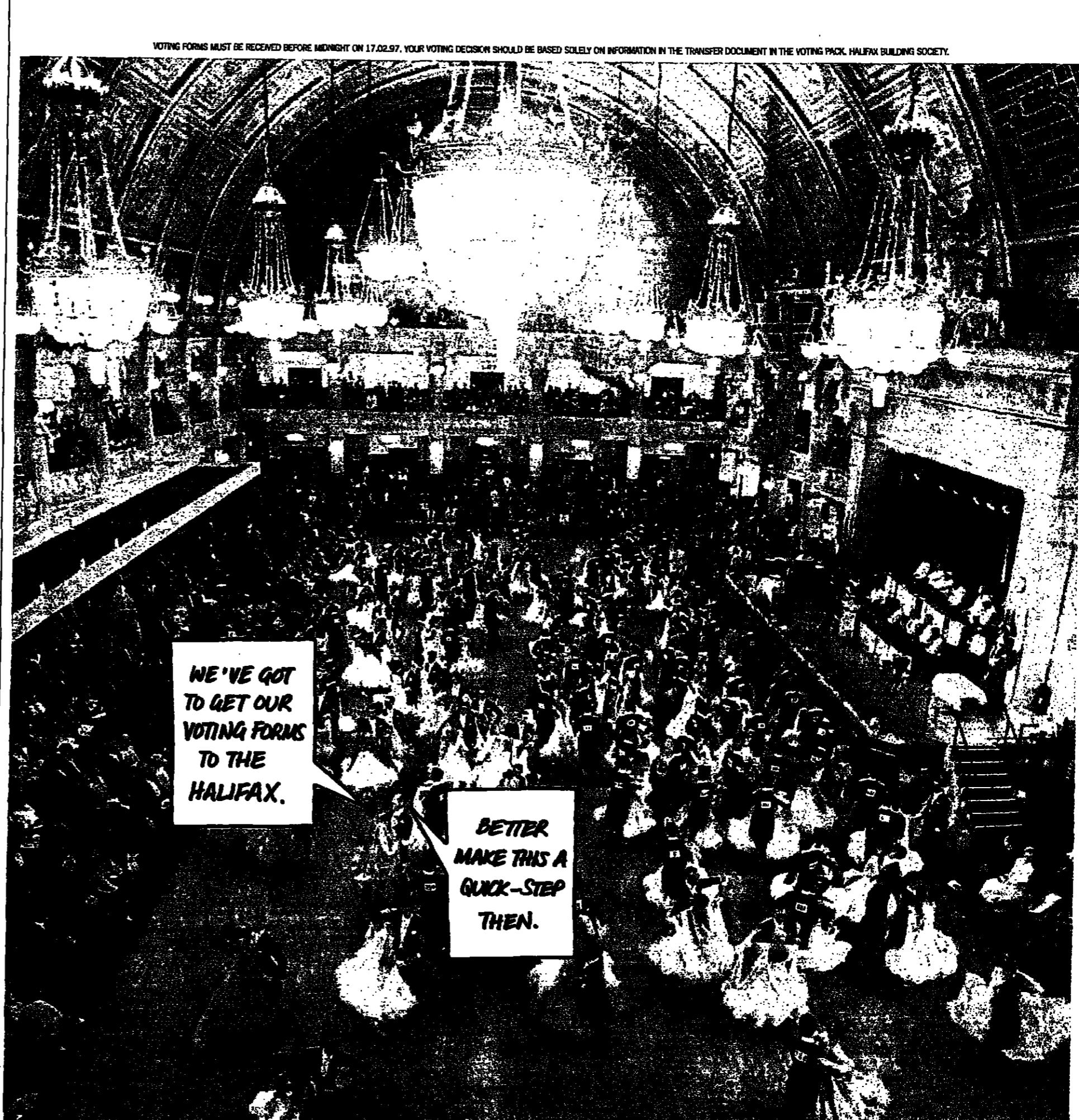
cannot operate in this area," he said.

The report shows that while the DSS paid benefit to around 970,000 parents of 16-18 year-olds, the Department for Education and Employment had records of only 617,000 still in full-time education. Teenagers who leave school before they are 18 cease to be eligible for benefit.

Much of the discrepancy stems from the fact that one department bases its figures on the young person's age in August, while the other uses December, and from the fact that the definitions of "full-time" education differ. However, the figures "still do not seem to tally", the report says.

In some cases children who are in receipt of benefit have died or never existed, the report says. In others, families who have left the country continue to claim. A check on 44,000 embarkation records showed that 10 per cent were still receiving benefit.

At a press conference yesterday Frank Field, the Labour chairman of the Social Security Select Committee, said the Department of Social Security had appeared unwilling to accept that it was vulnerable to such fraud. "Here is part of the department that has been asleep. It is thought that fraud



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THE GREAT BIG HALIFAX VOTE

news

Every now and again a soft and deadly thought finds its way into the pudgier folds of my brain, and lodges there comfortably. This is the idea that the worst that can happen at the next election is that John Major will be re-elected.

The Prime Minister – a transparently decent bloke (says this little thought) – will continue to bumble along pleasantly for another five years, so does it really matter? Fortunately, yesterday was one of those days when this seductive microbe found itself battered by the reality of the Chamber. A great question was posed, and could not be satisfactorily resolved. It was this: if John Major is such a great guy, how come Michael Howard is his Home Secretary? Would any reasonable, go-

ahead chap populate the entire Home Office front bench with a collection of crass populists, vicious sadists, casual xenophobes and brain-dead time-servers?

Timothy Kirkhope, hammer of "bogus asylum-seekers" was not pressed into service yesterday, having no anti-immigrant rant from his backbenches with which he could agree (but John Major is an honourable man). Instead we had Tom Sackville responding to a series of questions on the legalisation of cannabis for medical use. His first reply (to Labour's Gordon Prentice) was bureaucratic – "level of product quality" etc. His second, however, gave the game away. Harry Greenway, the tanned ex-headmaster from Ealing, offered his opinion on cannabis. Was it not a fact,

he asked Mr Sackville, that "soft drugs lead on to hard drugs inevitably, and hard drugs lead to death, often within seven years?" A responsible minister would have replied thus: "Bollocks. If what my honourable friend was saying was true,

an entire generation – including many of my own pals – would be pushing up the daisies, rather than sitting in the House of Commons, or running British industry. Get a life." Instead Sackville assented happily to Greenway's nonsense, adding a gratuitous attack on

the Liberal Democrats for daring even to discuss the legalisation of cannabis. (But John Major, we know, is an honourable man.)

Now it was David "Shouter" Maclean's turn. Shouter has a ghetto blaster instead of a head, and every question is met with a decibellage that would earn a council tenant instant eviction. Labour's Hugh Bayley asked about crime figures in West Yorkshire since 1979 (adding a silly bit of "they must go" sound-bite to a good question). What check, bellowed Mr Maclean. Labour had voted against everything the Chief Constable of West Yorkshire had wanted to strengthen crime control (stiffer sentences, uncontrolled phone-tapping, the rack). "They hadn't the guts to support the

Crime Bill on Tuesday," he screamed. Stop the rhetoric, someone advised him. "I don't give the House rhetoric!" yelled Mr Maclean. "I give the House facts!" Famous Maclean facts (readers will recall) include the notorious observation that all beggars are Scottish. (John Major, however, is an honourable man.)

Michael Howard, dealing with a tame question about a Lib Dem council, reluctant to invest millions in closed circuit TV said that Lib Dems "don't care in the slightest about taking effective action on crime". Oh yes? And who would you look to for support if attacked by hooligans on a dark night – Michael Howard or Paddy Ashdown?

Sure, John Major is an honourable man. He gets others to do the dirty work.

DAVID AARONOVITCH

How to stay decent by letting others dish the dirt



Spin doctors: Alistair Campbell (left) and Peter Mandelson at the hotel for Tony Blair's candidates' session

Photograph: Brian Harris

Labour's frontline troops rehearse their phrases

Fran Abrams
Political Correspondent

Talking to half a dozen Labour key-seat candidates is a bit like setting off an assortment of those clattering teeth they sell on the sea front at Blackpool.

Wound up by pre-election fever, they fall over each other in their eagerness to put the party line. Immaculately groomed, politically and sartorially, they exude New Labour from every pore. Not one could be induced to contemplate defeat for even a moment at a candidates' session with Tony Blair in a London hotel yesterday.

All agree that their party's campaign will be a very different operation this time. Directions from headquarters are much more clearly focused. Some have been out on the

stump for months, and talk bemusingly of "switchers" and "barometers". The language is pure Blair, and all are clearly keeping their "five Labour pledges" close by them on tax, class sizes, crime, National Health Service waiting lists and youth unemployment.

Debra Shipley, candidate for the new seat of Stourbridge, who needs a 4 per cent swing from the Conservatives, says she uses Mr Blair's list of promises all the time. "I can get them over very clearly," she says.

Even a question about which issues are playing badly brings a response about how well things are going. "We have lanced the problems that we did have," said Siobhain McDonagh, who is standing for the third time in Mitcham and Morden against Dame Angela Rumbold, a former

minister with a 1,700 majority. "People will ask you how you are going to pay for your commitments, which we have real answers to."

Naturally, they are unimpressed with the Tories' latest electoral wheezes. Plans to expand the cadets elicit an almost controversial response from Chris Ruane, a primary school deputy head standing in the new Vale of Clwyd seat. "I could think of many more focused ways to spend the money than teaching young people to march around a square with a gun," he says.

Quick as a flash, Siobhain McDonagh leaps in to add that of course the cadet corps provide a useful service. She saves the day. Just for a moment, it looked as one of Blair's new model army might air an independently formed opinion.

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There's a great deal going on

Bleak outlook for bugging Bill

Anthony Bevins
Political Editor

The controversial Police Bill could be in jeopardy after a Commons decision to wipe out the government majority on important legislative committees.

The Bill, giving new "bugging and burglary" powers, suffered two defeats in the Lords this week and has still to go to the Commons. But it emerged yesterday that some Conservative MPs are as opposed to the new police powers as the peers – and the whips anticipate a Commons revolt.

Given the loss of the overall government majority in the Commons, and the reflection of that in legislative committees, John Major faces increasing problems with his legislative programme in the run-up to the election.

Another threat to proposed legislation was announced yesterday by the Ulster Unionists and the Scottish Nationalists, who are combining to oppose the doubling of air-passenger

duty announced in the Budget. There was speculation yesterday that a Finance Bill defeat on that issue could prompt a vote of confidence, and force an early election. But defeat on the £125m air-passenger duty is not – by itself – important enough to trigger a vote of confidence. As Margaret Thatcher said in a confidence debate in March 1976 – after the Labour government had been defeated on its public spending plans – "Governments have been defeated on single clauses in the past ... No one has suggested that those were resigning matters ... But when there is a defeat on a matter central to the historic nature of the power of the House of Commons over the Executive, that is a resigning matter."

The latest date for dissolution of Parliament for a 10 April election would be 12 March.

Yesterday, in an address to Labour candidates, Tony Blair said the Tories were in a state of panic. "They are in such a state that anything could happen to bring the general election forward."

He also warned that if the Conservatives were re-elected, they would feel free to stop at nothing. "They'll think they're living in a one-party state where they could do and say anything that they want at all."

John Prescott told the same London meeting: "The Tories will stop at nothing to cling on to power and if they win again, they'll certainly stop at nothing."

PRIME MINISTER'S QUESTIONS

SCORING THE EXCHANGES

John Major
4/10

Tony Blair
6/10

Blair's first and second questions enlightened the shift in Major's position on EMU, but his third question let him off the hook by bringing up the issue of a Conservative split, allowing Major to throw the accusation back at Labour.

Major said that the creation of a single currency in January 1999 was "extremely unlikely". But he went to great lengths to avoid answering Blair's question: "might we join Europe yes [that's] ready? Yet immediately after the session, Downing Street answered the Blair question: "we was, again, extremely unlikely".

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Life line: Rwandan and Burundian refugees unloading food at Shabunda camp in eastern Zaire where 35,000 people have been living since fighting erupted in December. Photograph: AFP

Praying for a miracle in Zaire

Mary Braid
Kinshasa

When Zaire's president, General Mobutu Sese Seko, returned to his crumbling, war-torn country last month thousands thronged to Kinshasa airport to greet him. Tens of thousands more lined the broken and pitted 12-mile road into the capital and crammed Kinshasa's main street.

This "spontaneous" outburst of affection from one of the poorest nations in the world surely even brought a tear to the eye of a corrupt old dictator, back on home soil after four months treatment in the south of France for prostate cancer.

When Mr Mobutu left Kinshasa to return to France for more treatment two weeks later he sneaked to the airport by side roads. There was no big

event staging: no special transport to deliver waving crowds to the roadside and no laminated gold name cards for the army of foreign journalists who flew in for the president's return and were astonished by the uncharacteristic organisational skills of a regime which has grown rich and fat while presiding over the slow death of Zaire.

People who spotted Mr Mobutu's entourage on its way to the airport booed the president; a brave few, legend now has it, even threw stones. This week, Kengo wa Dondo, the Prime Minister appointed during Mr Mobutu's short visit home, issued a rallying call to all Zaireans to support a major military offensive to retake eastern Zaire from the rebels who swept through the region three months ago.

Patriotic demonstrations

paralysed the capital when the Rwandan-backed rebellion in eastern Zaire began. This week, as mercenaries from France, South Africa and Angola assembled 800 miles east in Kisangani to replace the unpaid and thuggish Zairean troops who retreated from the enemy, the nationalist appeal met an eerie silence in the capital.

Satellite has defeated the state propaganda machine. In television interviews, Laurent Kabila – the rebel leader condemned as a traitor by the government – has convinced many Zaireans that his rebellion is home-grown, and not merely the creation of Rwanda. He is now a potential saviour, a close second to Etienne Tshisekedi, the main opposition leader.

The city is alive with rumours that Mr Kabila was in Kinshasa on Christmas Day.

When he launched his insurrection, he promised Zaire he would reach Kinshasa by then. Zaireans ignore the near impossibility of such a feat: 800 miles of roadless jungle separates the capital from the conflict. But the desperate must be allowed to believe in miracles.

"I would support Kabila if he came to Kinshasa," says January, 34, born two years after Mr Mobutu took power. In his lifetime, Zaire's economy has collapsed and its infrastructure disappeared. The old colonial roads peter out into jungle just outside the city.

January has never had a job. His two young children are in hospital. In a country where inflation is more than 4,000 per cent, butter is the mainstay of the economy. At a hospital pawn shop, full of domestic appliances, January has just hand-

ed over a suitcase – one of his few possessions – to meet his children's medical bills.

He lays his misery right at Mr Mobutu's door. "When he was back he promised much and changed nothing," he said. The President raised hopes when he returned by saying he was listening to the nation and would respond positively to their demands.

Kinshasa celebrated, sure that Mr Mobutu meant he would reinstate Mr Tshisekedi as prime minister. "Instead he made sure Mr Kengo, his puppet, was appointed," said January.

"We just want change from anyone who can give it." Like almost everyone in Kinshasa January is involved in a new defiance campaign: refusing to use new bank notes issued last week because they weaken an already worthless currency. Mr Mobutu had the good sense

to head back to his French villa before the notes were released. In the last few months, the zaire (the national currency) has halved in value from \$30,000 to the dollar to 160,000.

They are happy to issue the new bills though it means more misery for us," says Lady Matshiba, 25, a baker. The new notes – nicknamed the prostate – are shunned all over town; and those who ignore the popular protest are beaten by other citizens in the street. "We call it the prostate," said a local teacher, "because cancer kills and this money may kill us".

■ Kinshasa (Reuter) — The government said yesterday that the army had launched its promised counter-offensive in the east and recaptured the town of Walikale. A defence ministry statement said that 100 rebels had been killed. That there has already been a change in atmosphere, at least, is evident. At a reception hosted on Wednesday night by Vice President Al Gore, Mr Anan joked easily about the conspiracy claims circulated by the UN's shillest critics – that it is bent on world domination.

Mr Anan comes here with one overriding advantage: his name is not Boutros Boutros Ghali. Indeed, it was the Clinton administration that propelled him to the mountain-top by blocking Mr Boutros Ghali's re-election as Secretary General, claiming he had been too reluctant to attempt serious UN reform.

"Some have suggested that this visit will be my American honeymoon," Mr Anan quipped during the flight from New York. "Others say I am walking into the lion's den".

Winning over Congress is vital, however, because without its support, President Clinton's repayment plan will turn to dust and the financial crisis that the UN has been struggling through for years will worsen. In the draft 1998 budget that will go before Congress shortly, Mr Clinton is asking that \$100m in US dues be paid off in October this year while an additional \$900m would be dispersed later, probably in 1999, on condition that reforms had been executed.

"We will do our part," Mr Gore told Mr Anan at Wednesday's reception. "We respect you for the person you are and the leader you have become".

UN leader turns the page on American animosity

David Usborne
Washington

With gentle humour and economy of speech as his most potent weapons, the new Secretary General of the United Nations, Kofi Annan, was in Washington yesterday on his first, and arguably his most urgent, mission beyond headquarters: to regain for the UN the affection and the dollars – of the United States.

In serial meetings over three days, which included talks yesterday with President Bill Clinton, Mr Annan sought to begin turning the page on UN-US relations. "This is a time for healing," he said on his arrival. "I want to put behind us our differences, and our sometimes acrimonious disagreements".

At the White House, Mr Annan vowed again to launch a serious programme of UN reform by the summer, while Mr Clinton laid out his own plans to settle most of the outstanding American debt to the UN of more than \$1bn (£600,000) by 1999. It was an exchange of promises, however, that may be harder for either side to honour than anyone was willing to admit.

Mr Strong has already warned that any reforms – which are likely to affect not just the UN Secretariat but also all of its specialised agencies and funds around the world – will have to win the support not just of the US but of all the UN membership, including countries in the developing world. "That means that not everything the US wants is going to come out the way they want it," he said in Washington.

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Army thinkers draw line between peace and war

British strategists find new ground between peace-keeping and war, reports Christopher Bellamy

October 1993, was akin to crossing the Rubicon.

Once a peace-keeping force shattered the consent which was the authority for its presence, there might be no way back. On the other side lay peace enforcement and war. Nobody had addressed the issue of whether there was a real difference between them.

There is, they said this week. And the key, they say, is impartiality. Their conclusions were announced at a three-day conference on international peace-keeping held in the Indian Army Room at Sandhurst and were given in a talk by Lieutenant-General Mike Jackson, the former commander of the British-led, south-western sector in Bosnia. He is now commander of Nato's Rapid Reaction Corps.

Traditionally, the British have not been good at "doctrine". But, starting with the publication in 1994 of the provisional British doctrine for "Wider Peacekeeping", they have found themselves in the forefront of the debate. The Indian Army Room was an oddly appropriate setting – all that imperial policing made the British experts in dealing with "complex emergencies", such as Bosnia, Rwanda and Somalia.

"Wider Peacekeeping" set out a model in which traditional peace-keeping – policing an agreement between two former warring sides – and "wider peacekeeping" – maintaining peace and assisting humanitarian aid in a volatile environment – were separated from more warlike military operations by the line of consent.

The warring parties broadly consented to the peace-keepers being there, and even if there were shoot-outs with unruly members of the warring factions, as in Bosnia, that did not violate the overall consent.

Crossing the consent line, what Gen Sir Michael Rose called the "Mogadishu line" after the US switch to more warlike operations in Somalia in

can perhaps be seen as the "line in the sand" that led to the 1991 Gulf War against Iraq.

The idea was that peace enforcement and war were more or less the same thing. That once you crossed the Mogadishu line you were at war", he said. The reluctance to switch to more aggressive measures against the Bosnian Serbs sprang in part from a conviction that once you crossed the Mogadishu line you might find yourself at war. Had the existence of a second barrier been recognised, the UN and Nato might have crossed the Mogadishu line and hit the Serbs sooner.

Both peace-keeping and peace enforcement come under the heading of "peace support operations". These, Gen Jackson explained, are designed to conclude conflict by conciliation among the competing parties, by helping to overcome the underlying causes of conflict rather than a superficial termination of the conflict by force.

Thus, a more stable settlement, if not military victory, is the ultimate measure of success and the use of military force will be constrained by the long-term requirements of peace building".

The main difference between peace enforcement and war was impartiality. In peace enforcement, it was directed against anyone who violated agreements.

The key difference from war is that there was no designated "enemy".

Peace enforcement is defined as "coercive operations carried out to restore peace in a situation of chaos or between belligerent parties who may not all consent to intervention".

If there is little inclination by the parties to agree to peace-making, a readiness to fight and escalate might be appropriate.

If such a doctrine had existed in 1992, it is possible the UN would have gone into Bosnia and Somalia on that basis and not as "peace-keepers".

"We went through a real Al-

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that weren't safe", Gen Jackson said.

With a second boundary established in the uncharted area beyond the consent line, that may not happen again.

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British UN forces in Sarajevo. The shift from major wars between states to limited internal conflicts is forcing the army to rethink its doctrine. Photograph: Reuter

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Clinton acts to end campaign funds scandal

Rupert Cornwell
Washington

In the wake of the most expensive elections in history, months of revelations about seamy Democratic fundraising, and now the humiliation of a Republican Speaker over his financial dealings, a new effort is under way to achieve genuine campaign finance reform.

The first step has come from the President, within barely 24 hours of his inauguration for a second term and at almost the same moment that a mortified Congress voted to reprimand Newt Gingrich and fine him \$300,000 (£180,000) for lying over his allegedly improper use of tax-exempt money.

Still smarting from the furor over the millions of dollars which flowed into his own Democratic Party's coffers from dubious sources last year, Mr Clinton announced a ban on contributions from foreign citizens and corporations, including their US subsidiaries, a \$100,000 cap on individual donations and close scrutiny of all contributions over \$5,000.

Thus the party hopes to avoid reprises of such 1996 embarrassments as Vice-President Al Gore's participation at a \$5,000-a-monk fundraiser at a Buddhist temple in Los Angeles, the \$1.5m gratefully accepted by the Democratic National Committee from questionable Indonesian and other Asian sources (only to be shamefully returned) and red carpet White

House treatment for major benefactors, a couple of whom at least, it later transpired, faced criminal charges.

The embarrassment did not end with election victory, although Janet Reno, the Attorney General, has resisted demands to appoint yet another independent counsel to explore possible White House wrongdoing. Republicans have lined up a battery of Congressional hearings into allegations of corruption. Thus "Indo-gate" bodes fair to join Whitewater, the purloined FBI personnel files and the White House travel office filings among real or imagined Clinton scandals.

But the presidential bid to reclaim the high ground on the issue may prove as cosmetic, as futile as every other recent attempt to break the adict-like dependency of American politics on money. It may true, as Roy Romer, the Colorado Governor and new general chairman of the Democratic party, maintains, that the new rules would have cost the DNC \$6.5m had they been in effect last year. But that is a drop in the bucket of the stupifying \$1.6bn (£1bn) spent on the 1996 presidential and congressional elections.

Another problem is "soft money," the contributions theoretically destined for party organisations which are then channelled into individual campaigns. They generated about \$100m for Republicans and Democrats alike in the last

significant shorts

US considers more cuts in nuclear arms

The US said it was studying more big cuts in nuclear warheads under a possible Start-3 treaty with Russia as part of its quadrennial defence review of security policy. The Pentagon declined to confirm or deny a Washington Post report that warheads could be cut by 1,000-1,500 on either side. But officials said Russia's lower house of parliament, the Duma, must ratify the pending Start-2 treaty to cut warheads on each side to 3,500 before Start-3 could be settled. Reuter - Washington

Last trial of collaborators

The French Supreme Court ordered Maurice Papon, 86, to stand trial for sending 1,560 Jews to Nazi death camps in 1942-44. The trial, after a 15-year legal marathon, will probably be France's last chance to put wartime Nazi collaboration in the dock. Reuter - Paris

Capital gain for war hero

The Chechen President, Zelimkhan Yandarayev, signed an order requiring the regional capital Grozny in honour of the separatist leader Dzhokhar Dudayev. It will now be known as Dzhokhar-Ghala (City of Dzhokhar). Dudayev was killed by a Russian rocket attack in April last year. Reuter - Grozny

Seoul vows to ease labour law

The OECD said South Korea expressed willingness to revise a law that sparked violence and soured relations with the club of industrialised nations. The law "does not fully meet the Korean government's commitments on... collective bargaining," the OECD said after meeting South Korean officials. OECD objections centred on cuts put on unions under the law. AP - Paris

MPs cheered off with Macs

Israeli MPs want McDonald's to hold the cheese - at least in television adverts. The Knesset education committee demanded that a television station refrain showing ads for cheeseburgers, which violate Jewish religious laws barring the mixing of milk and meat. AP - Jerusalem

Swiss move on Nazi gold

The Swiss government and banks agreed to set up a Holocaust memorial fund as a gesture of goodwill towards world Jewish groups critical of Switzerland's wartime financial role. Reuter - Zurich

campaign. On Tuesday Mr Clinton urged the elimination of "soft money." But Republicans say they will only agree if their opponents forgo the financial help they receive from trade unions, which the Democrats are unlikely to accept.

A bill sponsored by Republican Senator John McCain and his Democratic colleague Russ Feingold of Wisconsin suggests that candidates accept "voluntary" ceilings on campaign spending, with sanctions if they exceed the limit. However, a recent Supreme Court ruling broadly upholds the view that curbs on campaign spending infringe the free speech rights of the First Amendment of the US constitution.

Kissing terms: Madeleine Albright is greeted by the US vice-president, Al Gore, while President Bill Clinton looks on after Ms Albright was sworn in as Secretary of State. Her first official duty was to meet the UN Secretary General, Kofi Annan

Photograph: Rick T. Wilking/Reuters



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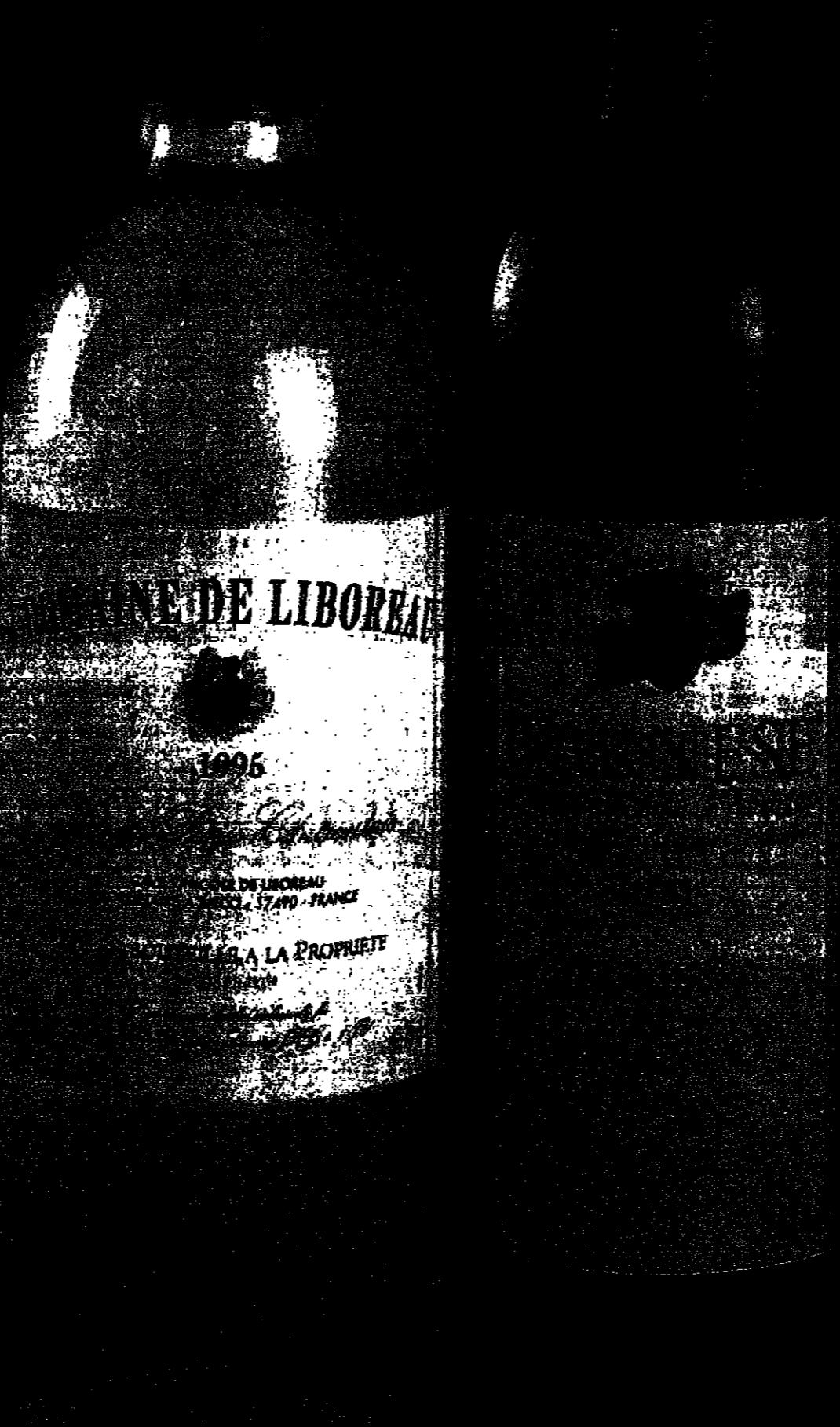


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THE INDEPENDENT

IT IS. ARE YOU?

A Fifties salute from a man who never saluted

erson, a Rhodes Scholar, that he should change his name for the recording of his first album, recorded in London under the name of Kevin. From then on, he has never again, at Wembley, and many other venues, uttered his name. "I'm not Wal, I'm changed my name again." Such a name, though, has stayed with him, and he has never regretted it, great as his success has been.

Well, what's left here, he said, is in late 1996, he announced his long-awaited new album, *One Day*.

He has also been an important part of the BBC's *Music* and *Music Show* for the last 12 years.

Tom Blyton

Music critic, *Independent*

analysis

After the voters, the vultures

The candidates are circling, waiting for their chance to seize the Tory leadership should Major lose the election. Donald Macintyre gives the low-down on the contenders and their chances of success

Some time this year, the chances are that the Tory party will have a new leader. Officially, no one is thinking about it. Unofficially, some Tories are thinking of little else. One Cabinet minister starts sending out Christmas cards to MPs he hasn't exchanged the name of day with for years. Another just happens to throw a cocktail party for parliamentary candidates in winnable seats. Slowly, discreetly, the campaigns have already begun.

One of many reasons why the outcome will be so unpredictable is that the leadership contest will have its own dynamic. In John Redwood, Michael Portillo, and Michael Howard, there are at least three ambitious candidates on the right. That was true of the Labour Party modernisers too, when John Smith died in 1994. Eventually Gordon Brown agreed, over a famous dinner in Islington, not to run. But then Brown and Blair had always agreed that only one of them would run for the leadership. No such blood brotherhood exists on the Tory right. All the right-wing

candidates are ambitious men; there isn't much likelihood that they will hold a "Super-Granita" and that two of them will stand down before the leadership contest opens. And if all three of them run, each will face a strong temptation to outbid each other for the hard-right vote in the first ballot. And on Europe, for example, that could mean going just that bit further in contemplating withdrawal from the EU than the candidates might have intended.

The challenge nevertheless for the right-wingers in the first ballot will be to be right-wing enough to attract solid support among the Thatcherites, while not being so right-wing as to frighten off the centre and left in the second and third ballots which any candidate needs to emerge as victor. Private analyses circulating in Westminster of the party's composition after the general election confirm strongly that the centre of gravity will swing sharply to the Eurosceptic right. But they also suggest the left and centre will still be a force in the post-general election Tory party. If the Tories were wiped out and got less than 100 seats, then the left and cen-

tre left would probably muster just over 40 seats. Around a dozen are unknown, or undecided, and around 45 on the right or centre right - with more than half those on the hard right. If the Tories win 200 seats, then the rough breakdown from left to right, is 80, 30, 90. And if the Tories win 250 seats, the breakdown would be roughly: 100, 35, 15. So the right is significantly the biggest group in each case; but in no case do they overwhelm the party.

If Major loses, he could go straight away.

Equally, he could decide to stay, perhaps until the party conference in October. Under the rules, and because of the summer recess, a May general election would make a challenge to him impossible before November. And the greater the chance the party would have to see how the candidates are performing as Opposition spokesmen, the more those performances will matter to the outcome. In 1980 Labour preferred a unifying Michael Foot to Denis Healey, its likeliest general election victor. And the party still fell apart. The Tories could yet split. But nothing unites a party like its capacity to win.



Michael Heseltine 5-1

Never, but never, rule out the Big H. True, in 1995 there was a strong suspicion that Heseltine never became a contender because there were fewer convinced supporters than in 1990, when he had failed, finally, to beat either Margaret Thatcher or John Major. True the there is a touch of the Archie Rice about the old maestro, these days. And he alienated possible right-wing supporters at a meeting with the '92 group this week by giving clear pre-election "belt up" warning to Eurosceptics (while pointing out in passing that he had supported EMU opt-out before John Major even became PM). But he has never given up yet. One theory is he could come in on a second ballot. Say for example,

Ken Clarke did well enough in the first ballot to show the left were still a force; but not well enough to beat the right. And say Blair had won by only a narrow majority, needing a second general election. It could postpone the big showdown. Even young cardinals vote for old popes.

Michael Portillo 5-1

In political de-tox after a series of rash errors - allowing his mate David Hart to set up a safe house to run a campaign that never was in July 1995 and making a crass speech to the 1995 conference invoking the SAS for Tory purposes. Is steadily rehabilitating himself as orthodox and enthusiastic Defence Secretary - and ex-Cabinet Office staffer and key 1997 Commons entrant Tim Collins.

Michael Howard 6-1

Strong potential campaign already exists in shadow form including old rightists Sir Archie Hamilton and Sir Nicholas Bonson, along with key Maastricht rebel Sir Michael Spicer, plus ex-Cabinet Office staffer and key 1997 Commons entrant Tim Collins.

Stephen Dorrell 6-1

The Health Secretary's roots are firmly on the left of the party. But he has since spectacularly trimmed by going Euro-sceptic (now one of the Cabinet minority seeking change in the "wait and see" policy) and making wild claims that Margaret Thatcher was really a one-nation Conservative. Also pleasing right-wing by planning further privatisation of social services. Important friends include Danny Finkelstein, the influential research director at CCO, credited with "drying him out

on Europe". Advantages: highly personal, good ministerial track record (except at Heritage where he was notoriously unhappy) and with real appeal for younger centrists in the party. Disadvantages: faces danger that his rightward shuffle will anger left without convincing right.

Ken Clarke 7-1

Conventional wisdom is that he couldn't win the leadership of a now basically Euro-sceptic party. Which is peculiar given that (1) he was thought of as recently as 1993/4 as the man within a heartbeat of taking over from John Major, (2) even his political enemies regard him as having been a highly successful Chancellor and obvious Prime Ministerial material, and (3) he is undoubtedly the politician Tony Blair would most fear as leader of the Opposition. But he will surely run, and the trimming of others on the left may give him enough space to do better than some MPs expect. If the party suffered meltdown, it might even come to its senses, forget ideology and choose him.

John Redwood 8-1

Believes he has earned the right to be the Thatcherites' standard-bearer. Michael Portillo had the chance to stand in

1995 when John Major put his leadership up for grabs. He chose not to, even though Redwood would have backed him. Redwood therefore showed the courage to resign from the Cabinet that Portillo failed to do. Disadvantage: widespread doubts about whether he could hold the party together or win a general election.

William Hague 8-1

The Welsh Secretary is the right's "fourth man": the party's one-time child prodigy is still ridiculously young at 36. But he has definitely not ruled himself out of running this year, despite reports to the contrary (would back either Howard or Portillo if he didn't run.) After an election in which Blair wins well and could be in for two terms or more, it could suddenly make sense to "skip a generation". Will only run, however, if he thinks he has a decent chance of winning. According to one ex-minister, "the one certainty is that sooner or later, William Hague will be leader of the Tory party". Disadvantage: relative inexperience. Advantages: impeccably Euro-sceptic - part of the anti- "wait and see" minority in the Cabinet, while believing Britain should be "in Europe but not run by Europe". Of the four right-wingers he has the best chance of appealing to the left and centre. At least one Cabinet min-

ister on the left predicts he will be leader by the end of the year.

Malcolm Rifkind 9-1

Brilliant high flier. Some political ambiguities: although thought to be on the centre left in the 1970s (pro devolution for example), voted for Thatcher rather than Willie Whitelaw in the second ballot in 1975 and has been anti-EMU since well before he became Foreign Secretary. Infuriated Ken Clarke by including anti-EMU passage in Zurich speech last year. Was stout co-defender with Clarke of wait and see policy - but also an enthusiastic architect of yesterday's shift towards more sceptical language on EMU.

Ian Lang 10-1

The essentially Majorite alternative. Advantage: shrewd and amusing; doesn't attract hostility on either left or right. Disadvantage: too like Major and could lose Scottish seat.

Gillian Shephard 12-1

Like Lang, could have strong centrist appeal despite her Euro-sceptic leanings and made obvious leadership bid last year by publicly espousing corporal punishment. Not much sign of a bandwagon at present. But few people before the two 1974 general elections

thought another woman education secretary, Margaret Thatcher, would be a candidate, much less a winner.

Michael Forsyth 15-1

Clever, tough, and deep-dyed Euro-sceptic judged to have been a signal success on Scotland. Has allies in parliamentary party but fighting to keep super-marginal Stirling seat.

Chris Patten 50-1

The prince over the water. Would be a charismatic standard-bearer for the left, and has usefully shifted towards right on Europe and on state spending in his time in Hong Kong. But close friends insist he won't be a runner even if Major stays on until after he stops being Governor at end of June. Plans to spend six months in France writing a book on Asia; wife Lavender against him going back into British politics (though would back him if he did). Will know neither 1992 or 1997 intakes. Is fastidiously against the idea of being parachuted into by-election seat while incumbent is moved to Lords - necessary if he were to run. And could be offered a job by Blair (for example as Tory European Commissioner if Sir Leon Brittan stands down). Highly unlikely to be a contender - but the unexpected sometimes happens.

If Israel

international law

ourselves at the centre of the universe and imagine it is all being done for our benefit.

We even conceive of God entirely in human terms, in terms of what He can or cannot do for us - when an atheist says that he cannot believe in a God which would allow all this injustice and cruelty, what he is saying is that he could only believe in a God which gave mankind a special deal.

And then we assume that a computer's top ambition would be to think like a human! The arrogance of it!

The parochial small-mindedness of such an assertion! If I were a computer, I would want to think bigger than that. If I were a computer, in short, I would remember what Disraeli said to the Count d'Orsay when they were discussing the advantages of various nationalities.

D'Orsay: Yes, I am proud to be French! I am French and I shall die French!

Disraeli: What! Have you

no ambition, sir?

Yes, I hope computers have

more pride and ambition than

to want to think like humans.

Pity the computer that wants to think like us

Sometimes you get enlightenment from listening to the news not because of what they tell you (the idea of being enlightened by what they tell you in the news is so far-fetched that only John Birt would believe in it) but because of the juxtaposition of news items. Start putting a few unrelated news items together and you start making sense of the world.

Take, for instance, the following five leading news items which I have recently had jingling around in my mind like small change ...

1. Kevin Keegan has resigned as manager of Newcastle United, though nobody seems to be sure why.

2. Several people have failed to go round the world in a balloon. (Actually, they have only failed to go round a quarter of the world, but it sounds better if you say they have failed to go round the whole world.)

3. Malcolm Rifkind is visiting the capitals of Europe to explain the British government policy on Europe not to other governments but to the people. He says he is doing this because the whole

thing is bigger than just

diplomats and bureaucrats.

and should involve everyone in a great debate.

4. As the royal yacht

Briannia goes on its last

voyage, the Government

proudly announces that the

taxpayer will replace it with a new £60m ship.

5. Computers are getting

ever nearer to being able to

think like humans.

Right. Let us look at these news items one by one.

1. The mystery of Keegan's resignation. The mystery here is not why Keegan resigned (the mystery is why any football manager stays in the job at all) but why it became such a sensational news headline. Most people don't care about football. Most people even in Newcastle don't care a lot about football. Therefore most people do not think that Mr Keegan's resignation from one of the better football teams in the north of England is a world-beating news headline. I would suspect that not even John Birt does, though of course we do not know John Birt's opinion on anything mundane, and we cannot understand

ourselves at the centre of the universe and imagine it is all being done for our benefit.

We even conceive of God entirely in human terms, in terms of what He can or cannot do for us - when an atheist says that he cannot believe in a God which would allow all this injustice and cruelty, what he is saying is that he could only believe in a God which gave mankind a special deal.

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Miles Franklin

his opinion on anything else.

2. There are two balloon

mysteries here. One, the

mystery of why anyone would

want to go round the world

in a balloon. Two, the

mystery of why an object

failure to do so should be a

leading news item.

3. The mystery here is why

Malcolm Rifkind should think

that the foreign secretary of a

disruptive government which

has another couple of months

to run should be the best

person to explain to the

peoples of Europe what the

European Community is all

we cannot understand

about. (One should always be

wary when politicians talk

about a "great debate". What

they mean by this is restricting

the discussions.)

4. It is hard to understand

why the Government is so

proud of announcing plans

for a replacement for the

royal yacht "Briannia" at the

Let the Royals join the queue for 'Britannia II'

Labour says it will review it, but it rather looks as though we are going to have to pay for a new royal yacht. There are two possible responses to this. One is to argue the merits of the case – whether or not this is a fine statement of commitment to a valuable British institution or an absurd transfer of wealth from poor to rich. That is what we have had to date. The other response is to say: "OK, if that is the decision, how do we make it pay for itself?" That is what this column is about.

My own acquaintance with royal yachts is limited, to say the least. But one of the supposed purposes of *Britannia*, much trumpeted during the past 36 hours, is promotion of trade, and I did once spend a day on it, cast as a spear-carrier in the service of British exports.

It was an interesting day at a number of levels. It was interesting to talk to the crew, serving Royal Navy personnel whose next ship might be a minesweeper, and catch their perception of its value. I recall a young officer explaining that he felt the attraction to the Royal Family was that it was one place where they were not surrounded by people who fawned on them and could therefore feel at home – though I suspect that the naval officers selected for the job would be pretty good in the defence stakes.

But my overriding impression was that it seemed dreadful value for money, our money, both on the cost and the revenue side of the equation. The ship was absurdly lavish in its use of labour, treating the naval crew of 250 as though they were a free resource, hired to polish the thing till you could see your face in the engine-room pipes. It was almost as though jobs were thought up to keep people occupied, rather than the other way round.

And on the "revenue" side? Well, there is no direct revenue, and that's fine, because not every aspect of public endeavour needs to raise hard cash. But we as taxpayers could reasonably expect careful cost-benefit analysis of whether the ship actually does help to generate business for the country, and a clear focus to its export promotion efforts. I fear neither exists.

Above all, there seems to have been no effort to make full use of the property. If you are going to have an expensive asset, it must earn its keep. I am not suggesting that it should endlessly steam round the world – rather the reverse. A royal yacht needs to be used, aggressively and energetically, at the function at which it is best: a floating entertainment centre, the reward for people who have really earned it.

The basis on which the new royal yacht is



Hamish McRae

The way a new Labour government can justify what might appear a gross extravagance is to make it pay for itself – to make the asset sweat

to be run has to learn from these failings. The way a new Labour government (and I guess that is where the final decision will be taken) can justify what might appear a gross extravagance is to make it pay for itself – to make the asset sweat. But how?

There is a model, and it is not the sponsorship pattern that has now conquered sport. That is tacky. So we can't have a *Carling Britannia*, though I'm sure the firms that sponsor sport would queue to sponsor this one. (And, sorry, we can't have a *Carling Diana* either, despite the sporting ring of that.)

No, the clever way of exploiting the brand is to keep control of the new royal yacht firmly in the public sector, and then to allow three things to happen. One is to give ordinary people a sense of ownership: they have paid for it, so let them have a look around it. The next is to use it as reward for people who have performed useful services for the country. And the third is to allow it to be used very, very carefully by the private sector, in return for a contribution towards its upkeep.

The best model for the first two uses is the way the US administration uses the White House. A certain amount of time is set aside for anyone to see it. You queue up and you can have a look around. I would suggest that when the new yacht is in Britain there should be open days, maybe with some pre-booking to cope with the flow.

But most of the time invitations should be used as a reward for people who have helped the country, or might help it in the future – pretty much as invitations to the White House are used in the United States, but without the political spin.

And for the third role? I have been trying to work out how much money is needed for a new yacht to pay for itself. If the capital cost were £60m, about £10m a year would be needed to cover interest and pay off principal over a life of 30 years. Add in running costs of, say, £2m a year (against £5m at present), so you would be looking for £12m a year.

What is it worth in the market? A friendly yacht broker tells me that the largest private yacht normally available for hire, *Leander*, costs £50,000 (£31,000) a day, plus expenses of about £10,000. But *Leander* is a mere 245ft long, compared with the present *Britannia* at 412ft. A new royal yacht would be smaller, but must be worth double *Leander*: say £100,000 a day. Make it available, very discreetly, for favoured events deemed to be in the national interest for only 20 days a year and you've covered the running costs; make it 60 days a year and that is half the full costs. The rest of the time it goes around promoting British business in a structured, measured way. And the Queen can still have the thing for her summer hols for whatever fee Parliament decides is appropriate. Problem solved.

The basis on which the new royal yacht is

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The basis on which the new royal yacht is

Superwoman, now playing nationwide

by Suzanne Moore



Yet again one woman bears the burden of representing her gender

No one much cares who does Chris Evans's ironing or is asking whether he has set the cause of the ginger-haired back by 10 years. No one wonders whether he will be able to continue his job as well as procreating. No one says that Evans's behaviour will reflect on DJs on the country over. Evans is allowed to be a one-off because that is what he is paid to be.

Ambitious women like Horlick, meanwhile, are "driven" and their private lives inspected for signs of anxiety. Other women will confidently tell them that they are missing out on their children's childhood. They tell stories of nannies ordered by other power-crazed superwomen to write down every word that their kids utter when they are not there so that they will not miss out. We watch documentaries of career harpies who leave their toddlers weeping and we see how unnatural it all is. Thus even a woman like Horlick must try desperately to present herself as natural. She must tell us that she is at the sick child's bedside, that she does the housework, just as Cherie Blair must pretend to knit complicated jumpers.

These women may do it all, have it all and then some. But when will they wake up and smell the cappuccino? Shirley Conran told us that life was too short to stuff mushrooms. It is also too short to delude ourselves. We make choices. Sometimes our children suffer as well as gain from our choices. We may continue to argue about the repercussions of these choices. Meanwhile, to cram some Fifties version of authentic mothering into an hour a day is just insane. We have won nothing but the right as Erica Jong once said to be "terminally exhausted".

We do not know how much time Nicola Horlick's male colleagues, or her husband come to that, spend with their families. Somehow the issue doesn't arise. We know only of the juggling, the stress, the getting up at ridiculous hours of high-fliers like Horlick and of the sadism of others when the cracks begin to show.

Fictional characters like Superwoman may soar off into the skies leaving the rest of us under yet more pressure to keep our feet on the ground, to be super-real, super-ordinary whatever our successes. Superwoman, you see, is not very sisterly. She is the exception that challenges the rule and as long as we continue to believe in her, the rules as we have seen will stay exactly as they are.

If Israel exists, then so does Palestine

In international law, the two have equal claim to sovereign statehood, writes John V Whitbeck

An excruciatingly long and painful labour has finally given birth to a Hebron agreement in which Benjamin Netanyahu's government has essentially agreed to do in 1997 what Israel was legally obligated to do in March 1996, pursuant to an agreement solemnly signed in Washington in September 1995. These negotiations have demonstrated that under the present Israeli government, backsliding from agreements already signed is far more likely than any genuine progress toward peace.

Fortunately, there is one giant step towards peace that the Palestinians and the international community can now take together, without Israel's prior consent. They can dispel the dangerous illusions that the Palestinian lands conquered by Israel in 1967 are "disputed" rather than occupied, that Palestinian statehood is within Israel's power to grant or deny, and that the "Palestinian Authority" is or has ever been anything but a transparent euphemism for the state of Palestine.

There has long been a strange, other-worldly quality to the veil of words drawn across the face of Palestinian statehood. Prime Minister Netanyahu pledged to his Likud party's congress last September that "you can dream every night and you will still wake up every morning and see; there is no Palestinian state, there is no Palestine, there is not and there will not be a Palestinian state". In fact, the state of Palestine already exists, and Palestinian statehood is not even an issue in the "permanent status" negotiations that formally began last May and which, according to the Declaration of Principles signed in September 1993, must reach an agreement in September 1997.

According to the Declaration of Principles, the issues to be covered during permanent status negotiations are "Jerusalem, refugees, settlements, security arrangements, borders, relations with other neighbours, and other issues of common interest". Palestinian statehood is not mentioned, but the references to "borders" and "other neighbours" would make no sense except in the context of an agreement between states. Israel's eventual formal acceptance of Palestinian statehood is clearly implicit in the terms of the Declaration of Principles, but, as a matter of international law, Israel's prior acceptance is not an essential precondition for the state of Palestine to exist.

While extending diplomatic recognition to foreign states lies within the discretion of each



The state of Palestine exists – its leaders should proclaim that fact to the world

sovereign state, there are four customary criteria for sovereign statehood: a defined territory over which sovereignty is not seriously contested by any other state; a permanent population; the ability and willingness of the state to discharge international and treaty obligations; and effective control over the state's territory and population. Judged by these criteria, the state of Palestine is on at least as firm a legal footing as the state of Israel.

While Israel has never defined its ultimate borders, the state of Palestine has effectively done so. They encompass only that portion of historical Palestine occupied by Israel during the 1967 war. Sovereignty over expanded East Jerusalem is explicitly contested, even though, after nearly three decades, none of the world's other 192 sovereign states has recognised Israel's claim to sovereignty. However, the sovereignty of the state of Palestine over the Gaza Strip and the rest of the West Bank is uncontested.

Israel has never dared even to purport to annex these territories. Jordan renounced all claims to the West Bank in favour of the Palestinians in July 1988. While Egypt administered the Gaza Strip for 19 years, it never asserted sovereignty over

it. Since November 1988, when Palestinian statehood was formally proclaimed by the Palestinian National Council meeting in Algiers, the only state asserting sovereignty over those portions of historical Palestine that Israel conquered in 1967 (aside from expanded East Jerusalem) has been the state of Palestine, a state recognised as such by 124 other states encompassing the vast majority of mankind.

The permanence of Palestine's population is not in question. The state's ability and willingness to discharge international and treaty obligations has been demonstrated by its establishment of diplomatic relations with a majority of the world's other sovereign states and by its membership in various international organisations.

The weak link in Palestine's claim to already exist as a state was, until recently, the fourth criterion, "effective control". When the state was proclaimed, its entire territory was under the military occupation of another sovereign state. Now, however, a Palestinian executive and legislature (democratically elected with the enthusiastic approval of the international community), Palestinian ministries and courts, and substantial

Palestinian security forces exercise "effective control" over a portion of Palestinian territory in which the great majority of the state's population lives. It can no longer be seriously argued that Palestine's claim to exist fails at the fourth and final hurdle.

While drawing a veil labelled "Palestinian Authority" across the face of the state may once have been necessary to the advancement of peace, this is clearly no longer the case. Polls show that a majority of Israelis are now willing to accept a Palestinian state. Indeed, in mid-December, Mr Netanyahu's chief adviser and spokesman, David Bar-Ilan, announced in a *Jerusalem Post* interview that his Prime Minister could accept a Palestinian state if Israel's security needs were adequately assured. This stunning reversal of positions elicited neither a prime ministerial correction nor any significant public outrage.

Surely the time has now come for the Palestinian leadership to drop the veil and assert that the state of Palestine exists on the soil of Palestine, and for the state of Palestine to apply to upgrade its status at the UN from observer to member.

If Palestine were to become a member state of the UN, even the Netanyahu government would have no choice but to recognise that the Earth is not flat and to negotiate seriously on how to structure the relationship between the two states in the mutual interests of their peoples. Even if the US dared to veto Palestinian membership, the focus of attention would have been effectively shifted from the realm of brute force (where Palestine is extremely weak) to the terrain of international law (where Palestine is extraordinarily strong).

Now that the Palestinian national movement has established a firm foothold on the soil of Palestine, it is on the terrain of international law and international legitimacy that Palestine should and must pursue its struggle for peace with some measure of justice. Significant progress on this terrain could give Palestinians the confidence, pride and patience to resist a desperate, self-destructive return to violence and to wait out a frustratingly prolonged period of minimal gains on the ground.

Palestinian membership of the UN would make Middle East peace a question of when, not whether. It is an opportunity which can and must be seized.

The writer is an international lawyer based in Paris.

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Shares put on £11bn as pound takes a beating in New York and Tokyo

Diane Coyle
Economics Editor

Shares in London gained nearly £11bn in value yesterday as the pound dived on the foreign exchanges. Expectations that interest rates will not have to increase until after the election battered the currency but took the FTSE 100 index to a record for the second day running.

But a survey showing service industries booming in the final quarter of last year as manufacturing struggled under the burden of the strong currency emphasised the dilemma over whether or not the Chancellor should raise interest rates.

The British Chambers of Commerce, like the CBI earlier this week, urged Mr Clarke against this. Commenting on its quarterly survey of business, the BCC deputy director general, Ian Peters, said: "It is important for the performance of manufacturers, and particularly the larger ones, that we don't risk snuffing out the manufacturing recovery by increasing interest rates at this stage."

The pound fell sharply in New York and Tokyo overnight before settling during yesterday's trading in London. The finger of suspicion pointed at hedge funds run by speculators such as George Soros.

A spokesman for Mr Soros said his fund never commented on its investment policies, but traders said there had been widespread sales of sterling by big investors in order to take profits after the currency's strong gains since the summer.

Paul Meggys, an analyst at Deutsche Morgan Grenfell, said: "Sterling corrections, when they happen, are short and nasty. Once the dam breaks, the flows are huge."

The sterling index against other currencies closed 1.4 points lower at 95.8 yesterday. The pound lost nearly 5 pence, falling to DM2.6685, and declined more than two cents to \$1.6278. It continued to lose value as trading opened in New York. The FTSE 100 index gained more than 52 points to close at 4,271.5, aided by a buoyant morning on Wall Street, as the financial markets stuck to their assessment that Mr Clarke can avoid having to increase the cost of borrowing.

Big exporters such as pharmaceuticals companies were among the best performers as they stand to gain most from the drop in sterling.

Explaining his decision earlier this month to leave rates unchanged in the face of the Bank's advice, the Chancellor dwelt on the strong pound's impact on industry.

But analysts did not yet expect the setback to sterling to weaken the Chancellor's resistance to Bank of England advice in favour of higher base rates, although the Treasury had no comment. As one official remarked: "We don't talk about the pound on the way up, and we don't talk about it on the way down."

A survey of more than 8,600 companies showed that manufacturing orders fell in the final quarter of 1996 and output

growth stalled. Although reported business confidence in the sector increased, firms reported planned cuts in investment and employment.

"The strong pound is becoming a serious issue for manufacturers," Mr Peters said. Of the big companies taking part in the survey, 95 per cent said the rise in sterling – of about 8 per cent between the summer and the end of last year – was hindering their business. The pound had climbed as much again between the new year and the start of this week.

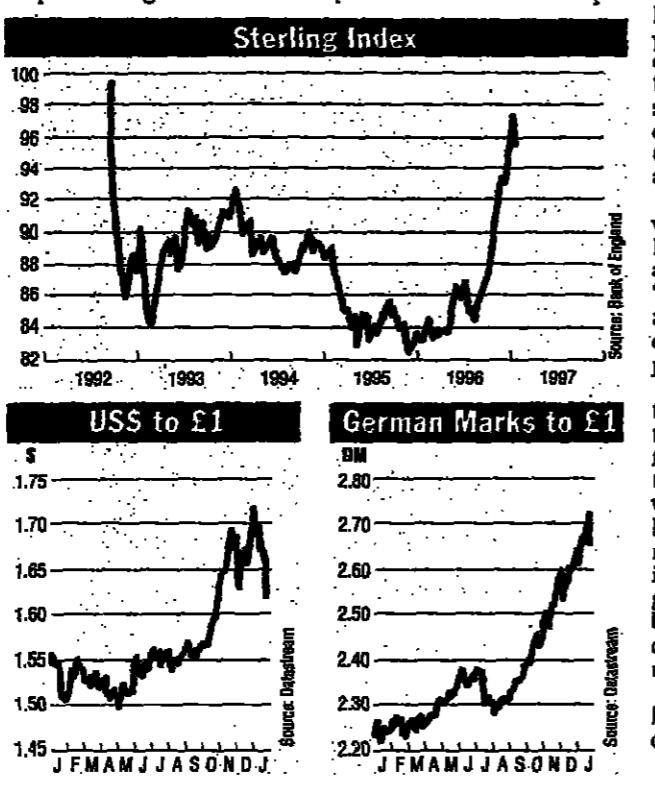
On the other hand, the indicators for the service sector were at the highest since the survey began in 1989. Confidence, home and export orders, employment and investment all increased. Most significant in terms of inflationary pressures, service companies reported increased recruitment difficulties and expressed concern about rising pay awards.

"There are clear signs the service sector is overheating," said David Mackie, UK economist at investment bank JP Morgan. "This highlights the dilemma about interest rates. You can come out with whatever policy prescription you want to."

Following a series of weaker-than-expected economic statistics since the new year, many financial analysts had revised their view that strong growth would force Mr Clarke to follow up October's quarter-point rise in base rates with a second increase. The pound lost ground to the dollar as a result, but its exchange rate against other currencies did not catch up until yesterday.

"This was a full waiting to happen," said Chris Turner, currency analyst at BZW.

Comment, page 21



Buoyant: Wall Street is convinced that the Chancellor, Kenneth Clarke, can now avoid having to increase the cost of borrowing

BoE tells banks not to relax lending standards

Jill Treanor
Banking Correspondent

The Bank of England yesterday warned commercial banks not to let their credit officers "walk on water" and relax their lending standards in the expectation that bad debts would continue to remain low.

Michael Foot, an executive director of the Bank of England, also cautioned banks against basing lending decisions on assumptions that the next economic downturn would be like the last one.

He advised banks not to abandon their minimum margins on pricing just because their rivals had.

Neither should they sacrifice covenants, which give them the right to intervene in the affairs of a borrower and suggest remedial action, because it would leave them vulnerable to the accuracy of their original lending decision.

He also said banks should resist being influenced by shifting sentiment towards "hot" markets, products or industries. "One excellent discipline here is to regularly ask yourself why you think more about the economics and risks of mandate X than your competitors."

"No satisfactory answer to this very basic question maybe means you don't want that mandate after all."

Banks were crippled by soaring bad debt provisions in the early 1990s when economic recession coincided with the end of a housing boom. After battling to cut these provisions, banks are experiencing lower bad debts as a result of the economic recovery and in recent months the Bank of England has been warning banks not to be duped into lending money more freely because their bad debts have fallen.

This could also happen because banks are beginning to assume that the low-inflation environment will mean that swings in nominal interest rates may be less severe than in previous years.

Mr Foot said it was still a matter of debate whether this would actually reduce bad debts. "But, even if it does, the point I am making is that the bad debt situation was the separate computer system which would 'talk' to the existing system. However this would not only involve heavy additional investment but also expensive modifications to the TGB system on top of the £150m so far invested."

British Gas is far from the first large company to experience serious setbacks to computer projects. Last November Hyder, the multi-unit that owns Swalec and Welsh Water, scrapped a £35m computer investment which was also intended to spearhead a drive into the competitive electricity market in 1998.

He urged banks not to ignore the information of the early 1990s when recession hit and interest rates soared.

It would be far too simplistic to assume that all default risk would be eliminated by more stable macro-economic conditions.

Large's departure leaves gap at SIB

Nic Cicutti

The Securities and Investments Board has begun the search for a new chairman after Sir Andrew Large, the present office-holder, said yesterday he would not serve another term despite being asked to stay on.

Sir Andrew said that after five years at the helm he felt it was time to move on. "I was charged to oversee the implementation of evolutionary change outlined in my 1993 review [of financial service regulation]," he said. "The bulk of this is now complete. So this is a logical time for a change of chairman. The main unfinished piece of business is the unsatisfactory rate of progress on the pensions review. This will be a key focal point for me in my remaining period of office."

Both Kenneth Clarke, the Chancellor, and Eddie George, Governor of the Bank of England, said their regretted Sir Andrew's decision to go on 31 May, despite being asked to remain, as first revealed in *The Independent* last year.

Sir Andrew's departure brings to an end five years of unprecedented regulatory change for the financial services industry and the City. As SIB chairman, Sir Andrew oversaw several key reforms including more disclosure of financial information. He set in train a clean-up of the personal pensions industry after a review showed up to 1.5 million people might have been mis-sold a personal pension.

British Gas outgrows its £150m computer system

Chris Godsmark
Business Correspondent

British Gas's troubled new £150m customer billing system, thought to be Europe's largest and most ambitious computer project, could soon be out of date and will not be able to cope with the company's planned expansion into the domestic electricity market, senior industry sources warn.

The company now faces the embarrassing task of developing another computer system to handle its drive to sell electricity when the power market opens up to competition in 1998. Centrica, the gas supply company which will be formally demerged from British Gas next month, has already made clear that its long-term future lies as a multi-utility, offering electricity supplies to its 19 million gas customers.

The latest computer problems come just months after

British Gas was forced to spend a further £30m on top of the original investment to sort out serious glitches in the system, known as Tariff Gas Billing (TGB), which led to a huge increase in customer complaints.

The Gas Consumers Council was inundated last year with complaints from people who were unable to get through to the company's customer service representatives.

Earlier this week Mike Alexander, managing director of British Gas Trading (BGT), the supply division, told a Commons select committee that the billing problems had mostly been ironed out. "I hope 1997 will not see a repeat of 1996," he told MPs.

However figures released yesterday from the Gas Consumers Council showed that complaints against BGT received in December, at 1,963, were still 101 per cent above 1995. Total complaints against

BGT last year also surged by 103 per cent to 34,211.

The new shortcomings in the billing system stem from the need to accelerate the timetable of the project after the Government decided to bring forward

the introduction of domestic gas competition from 2000-2002 to 1996-1998. This involved replacing 12 regional computer databases, which used more than 60 separate parts of differing ages and specifica-

tions, with a single national system that could track British Gas's residential customers as they switched to rival suppliers.

Instead of developing an entirely new system, British Gas was forced to base the TGB on its existing regional database in the West Midlands. ICL was given the contract to replace hardware in 1994, while the software systems were developed by British Gas's in-house information technology team with the target of getting live across the UK in just two years.

"The fact that we managed to build it all in that time is an incredible achievement," said one person involved in the project. A similar sized system constructed by British Telecom from the late 1980s took at least twice as long to develop.

Though the TGB system is currently being developed to allow gas bills and boiler service contracts to be merged on to

one customer statement, the move to joint billing for electricity contracts is thought to be much more difficult. A spokesman for British Gas Trading said yesterday: "The decision about specifically how we are going to bill electricity customers has not been taken yet."

Once source close to the project suggested the most likely solution was a separate computer system which would "talk" to the existing system. However this would not only involve heavy additional investment but also expensive modifications to the TGB system on top of the £150m so far invested.

British Gas is far from the first large company to experience serious setbacks to computer projects. Last November Hyder, the multi-unit that owns Swalec and Welsh Water, scrapped a £35m computer investment which was also intended to spearhead a drive into the competitive electricity market in 1998.

PepsiCo to spin off Pizza Hut and KFC

Tom Stevenson
City Editor

PepsiCo is expected to announce a multi-billion dollar demerger of its Kentucky Fried Chicken, Taco Bell and Pizza Hut restaurants to concentrate on the cut-throat battle with Coca-Cola for dominance of the soft drink market and its Frito-Lay snacks business.

The company's board met yesterday, although a spokesman refused to confirm or deny press reports in the US that the restaurants were to be spun off. If the deal goes ahead, it would be the first significant move by

the new chief executive, Roger Enrico, who took the reins at Pepsi last April.

Shareholders have called for some time for PepsiCo to sell or spin off its underperforming restaurants, which have failed to live up to expectations ever since the company entered the 25 years ago.

One or more of the chain has consistently caused problems in recent years, dragging group earnings lower and soaking up the company's capital spending and management time. Analysts believe the business has failed to earn even its cost of capital.

Although restaurants are Pepsi's largest business with an estimated 36 per cent of the group's \$31.8bn (£19.6bn) in sales last year, they accounted for only about 22 per cent of its \$3.7bn profit.

A spin-off would create one of the biggest restaurant companies in the US. PepsiCo is the second-largest restaurant operator by sales in America after McDonald's.

The prospect of a demerger was welcomed by shareholders and bondholders alike, with Fitch Investors Service, the credit analysis, saying a separation would improve Pepsi's

credit quality because it would allow the company to concentrate on its soft drinks and snacks operations.

Coke has been consistently gaining market share at Pepsi's expense throughout the world, a record that has been reflected in a sharply better share price, performance and the gain of some overseas bottling contracts from its rivals.

Despite pumping more than \$2bn into its bottling operations in recent years, Pepsi only accounts for about a fifth of the soft drink market overseas, where it also sells brands such as 7Up and Mountain Dew.

British banks warn over EU capital rules

Jill Treanor
Banking Correspondent

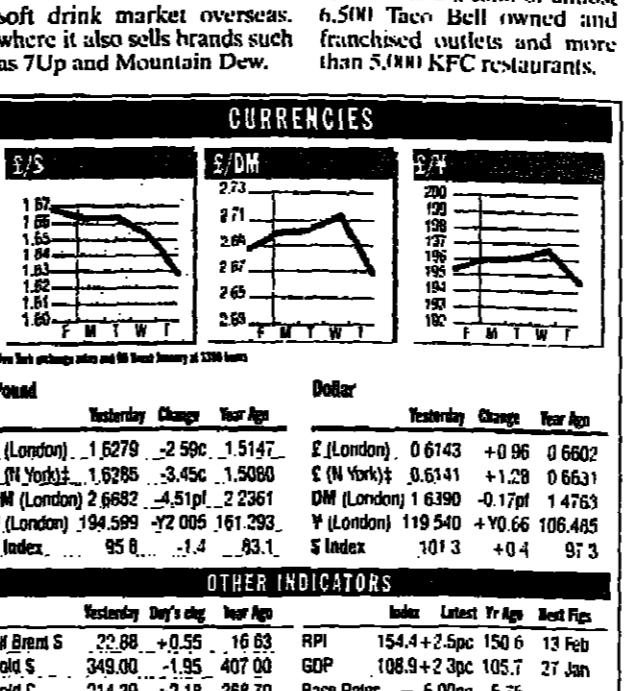
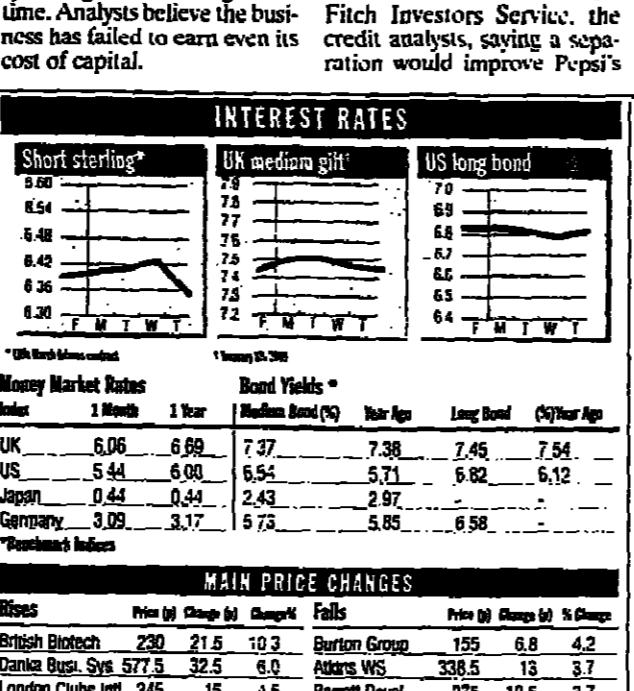
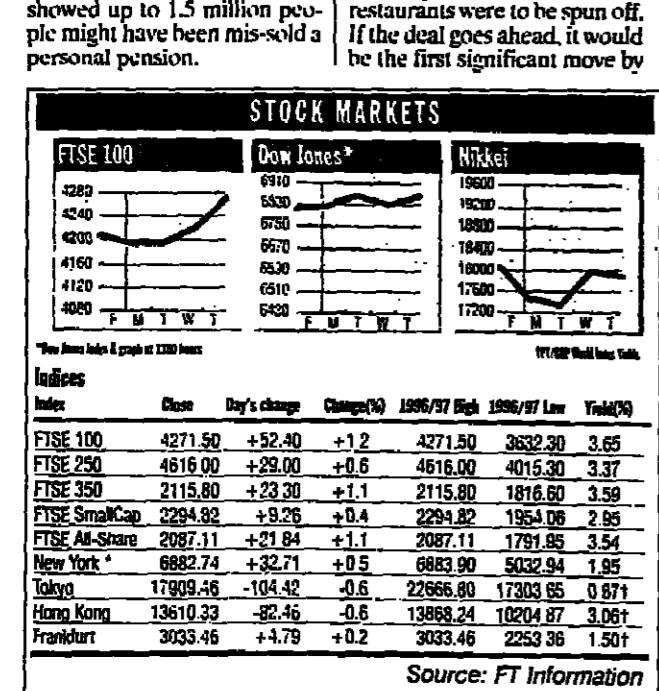
British bankers warned yesterday that European banks could suffer a serious competitive disadvantage against banks from other parts of the world, because regulators will require them to set aside more capital as a safety net against losses.

The main problem is that banks which are members of European Union states are subject to an EU law, the Capital Adequacy Directive (CAD).

This prevents EU banks taking advantage of new international standards set by banking supervisors in Basle, Switzerland, which take effect this year. The standards require banks to put aside less of their capital to back a given amount of business. "It's an international trade issue that could disadvantage the EU and London," said Peter Vipond, assistant director of the British Bankers' Association.

The Bank supervisors have allowed banks to use more sophisticated methods – known as value at risk (VAR) – to calculate the amount of capital they need to cover market risks.

A subsidiary could benefit from European rules, giving freedom to trade throughout Europe while at the same time allowing them to benefit from the lower capital rules.



COMMENT

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BoE tells banks not to relax lending standards

Jill Treanor
Banking Correspondent

The Bank of England's warning to commercial and investment banks to maintain strict lending standards in the eighties has been repeated by the Bank of England's new Governor, Sir Edward George. In the Bank's last Inflation Report, published in November, when sterling had climbed only halfway towards its recent peak, it warned that the reason for the exchange rate rise was the expectation that base rates would be going up again. If that did not happen, the currency would suffer a reversal, the Bank said.



COMMENT

'It only demands a modest rise in interest rates to skim the froth off the expansion and keep inflation on course to meet its target this year and next'

One person who will not have been surprised by the pound's sharp fall yesterday is Eddie George, Governor of the Bank of England. In the Bank's last Inflation Report, published in November when sterling had climbed only halfway towards its recent peak, it warned that the reason for the exchange rate rise was the expectation that base rates would be going up again. If that did not happen, the currency would suffer a reversal, the Bank said.

And so it has. Although criticised by many City experts for arguing that a strong pound was not a substitute for higher interest rates, the Bank's analysis has been vindicated.

The spectre of the late 1980s is rattling its chains. Keeping interest rates low because of a strong exchange rate in 1987 was one of the main forces driving the Lawson boom. The domestic economy, led by the service industries and London, is booming again now – perhaps not on the same scale as a decade ago, but it still deserves the description.

It only demands a modest rise in interest rates to skim the froth off the expansion and keep inflation on course to meet its target this year and next. That would also help deliver a sensible correction in share prices, which must be vulnerable to a sharper fall later if they continue to set new records day in, day out.

The other side of the coin is that the strong pound was undoubtedly beginning to hurt manufacturers. But to go for the easy policy option of unchanged interest rates and a com-

fortably weaker pound won't necessarily benefit them long term. The likely consequence of choosing this route is over-rapid consumer spending and higher inflation. For that all you get is a short-term fix for manufacturing, now less than a quarter of the economy.

Mr George was not Governor in 1987 but played a big role in the discussions then. Chancellor Lawson opted for the low interest rate, weaker pound combination, and we can remember the results of that. Anybody with negative equity as a result of the housing boom and bust is still living with the policy mistake. And so did manufacturing in the subsequent downturn.

Mr Clarke is facing the dilemma for the first time. He's also got a general election coming up within a few months. But let's not hear any of that guff about the decision being finely balanced one on economic grounds. Given Britain's dismal record as a high-inflation country whose currency loses its value over the long run, this time policy should err in the other direction. Until it does, there is no chance whatsoever of sterling becoming the "safe haven" currency dreamt of by some of Mr Clarke's Eurosceptic colleagues.

Andrew Cook gets the last laugh

Andrew Cook always did run his company, the metal-bashing concern William Cook, like a private fiefdom; now it's actu-

ally going to become one. With news of yesterday's buyout bid, the Cadbury and Greenbury codes on corporate governance and pay, which never seemed to mean a great deal to him, can now safely be buried altogether.

For a time there, it looked as if Mr Cook would be toppled, not so much because the City didn't believe his claims that the company was worth much more than Triplex Lloyd was bidding, but because investors were heartily fed up with what was widely seen as a cavalier approach to capital markets. They were as a consequence preparing to sell him out.

Mr Cook made so little effort to keep analysts and investors informed about progress down the years that forecasts made during the Triplex bid of better-than-expected profits were met with widespread incredulity. Promises to mend his ways by appointing more non-executives and splitting the role of chairman and chief executive always sounded a bit hollow, coming from someone who once described his £1.5m golden parachute as "a pitance".

It was also quite difficult to reconcile his claim that William Cook was worth at least double Triplex Lloyd's original 30p offer when a month before the bid was launched both his pension fund and William Cook bought back shares in the company at prices between 239p-248p a share. But Mr Cook gets the last laugh.

Now up pop some venture capitalists who not only believe his valuation arguments, but

don't appear to give a fig about all those corporate governance concerns either. It seems unlikely that Triplex Lloyd can come back, given the hammering its share price has taken during the course of this bid. Nor can it really feign surprise at the turn of events. On 20 December it said in a circular: "If William Cook really believes it is worth very substantially in excess of Triplex Lloyd's offer, he should set about finding someone prepared to pay that price because it does not appear able to deliver this value on its own." Oh dear.

Banking mistakes will come around again

Sounding like Eeyore, the lugubrious friend of Christopher Robin for whom good news is always another excuse for gloom, has long been part of a central bank supervisor's business. And actually it makes perfect sense for anybody who has had a bird's eye view of the banking industry over several economic cycles. Come what may, clangers will be dropped as growth gives way to recession, and cast iron propositions agreed during a lending boom turn out to be as full of holes as a colander.

Another inevitability is that during the upturn, lots of clever people deliver rational arguments that say the cycle has changed, banks have learnt and the next downturn will be less ferocious in character.

Michael Foot, the Bank of England's executive director in charge of supervision, gave another timely reminder yesterday that this is the point in the cycle at which, in the worst cases, banks think they can walk on water.

Some of our biggest banks, organisations that in theory make a living out of judging risks correctly, have in the past been very bad at doing just that.

But there has been progress since the lending howlers exposed by the last recession. These days banks have much better systems for pricing and assessing risks. The old approach was often not much better than sticking a thumb in the air to see which way the wind was blowing.

Even so, statistical analysis can itself contain traps for bankers trying to look forward at the likely impact of the next downturn. This is especially the case if the assumptions on which their work is based are flawed. There are also important areas of lending, such as to large companies and to governments, where subjective judgements will always be required.

Even in a world of low inflation growth there is still plenty of scope for bad lending. Fraud, technical innovation – which can make some markets disappear altogether – and just the simple lending error all await the uncautious banker. It is quite possible that the next cycle of banking mistakes will be less ferocious than in the 1980s, but it has not gone for good. Of that we can be certain.

Cook plans buyout to thwart Triplex

Patrick Tooher

The battle for control of Sheffield-based steel castings group William Cook took a highly unusual turn yesterday when Andrew Cook, the company's executive chairman, unveiled plans to lead a £80m management buyout to thwart a hostile bid from engineering rival Triplex Lloyd.

The surprise move to take William Cook private means the 60-day bid clock will start ticking all over again when the management buyout team sends its offer document to William Cook's shareholders, probably next week.

At 425p a share Mr Cook's cast bid, backed by venture capital group Electra Fleming, tops Triplex Lloyd's latest cash and shares offer, worth 386.5p at last night's close. Shares in William

Cook, temporarily suspended early yesterday at 375p pending an announcement, ended 45p higher at 420p while Triplex Lloyd was 2p better at 190p.

Mr Cook is selling his 4.6 per cent stake in William Cook and reinvesting it in Steel Castings, the vehicle formed by Electra to launch the buyout. He will retain his role as executive chairman in the new company. Another 21 senior managers will also invest in the buyout.

Analysts were surprised at the latest twist in the often acrimonious takeover saga which began in November when Triplex made a hostile £58m offer.

"Nobody saw this coming on the horizon at this late stage in the bid," said John Dean, analyst at stockbroker Albert E Sharp. "It is a very unusual form of 'white knight'."

Sources familiar with the

takeover said the Cook camp had been in discussions with Electra about a buyout since Christmas, but Triplex's revised offer had forced its hand.

Triplex Lloyd said it deserved the right to raise its offer again for William Cook and was considering its position in the light of the proposed buyout.

"It is the logical conclusion of Andrew Cook's strategy of retreat," said Graham Lockyer, chief executive. "Triplex Lloyd alone offers the opportunity for existing shareholders to participate in the future potential of the combined group."

Triplex Lloyd raised its offer on Tuesday to 21 new Triplex shares and £57.40 in cash for every 20 William Cook shares. There is a 383.4p cash alternative. Triplex's shares fell sharply after it increased its offer amid fears it was overstretching itself.

Analysts were surprised at the latest twist in the often acrimonious takeover saga which began in November when Triplex made a hostile £58m offer.

"Nobody saw this coming on the horizon at this late stage in the bid," said John Dean, analyst at stockbroker Albert E Sharp. "It is a very unusual form of 'white knight'."

Sources familiar with the



Rejuvenated: John Hoerner, the American chief executive of Burton who has turned the group around. Debenhams remains the group's star performer

Christmas lift for Burton

Nigel Cope

Burton became the latest high street retailer to report an encouraging though unspectacular Christmas yesterday. While women's wear performed well in both Debenhams and the multiples such as Evans and Dorothy Perkins, sales of men's wear were "not as good".

Burton's announcement leaves only Marks & Spencer of the big retailers yet to report its Christmas trading statement. Of the supermarket groups Sainsbury will issue a trading update today.

Burton, which has been rejuvenated under chief executive John Hoerner, said group sales in the 20 weeks to 18 January were 11.1 per cent ahead of the same period last year. Debenhams and the chain stores contributed 7.3 per cent of the growth. The remainder came from Burton's recent mail or

der acquisitions, Innovations and Racing Green.

Burton also reported that its margin increased by a full percentage point over the year.

Debenhams

once again proved itself to be the group's star performer. It increased sales by 9 per cent with the two new stores in Dublin and Lincoln performing well.

Two more stores will open in the Leeds White Rose Centre and at Barrow in Furness in the spring.

Speaking to shareholders at the group's annual meeting yesterday, Burton chairman Sir John Hoskyns said the group was starting to integrate Innovations and Racing Green, both acquired last year.

Though the trading statement was in line with expectations, Burton shares closed 6.75p lower at 155p, largely on profit-taking.

Investment Column, page 22

Daimler managers face axe

Imre Karacs

Daimler-Benz, Germany's largest industrial company, announced plans yesterday to slim down its management structure in an effort to maximise shareholders' earnings. The biggest casualty in the long-awaited reorganisation is Mercedes-Benz, the car subsidiary, which will be merged into the parent company on 1 April.

The restructuring, which was approved by the company's supervisory board yesterday, cuts the number of business units from 35 to 23, abolishing middle and upper layers of

management in the process. Daimler declined to comment on how many managers would be made redundant, or on estimates by analysts that possibly 1,600 senior jobs would be lost. All business units will report directly to the new 10-member board of management.

"As a result of the restructuring, the divisional managers will have a significantly larger measure of responsibility, and will be able to function as true entrepreneurs," the company's chairman, Jürgen Schrempp, said.

This will encourage fast and flexible decision-making which will enable Daimler-Benz to secure and improve its competi-

tive position in the international marketplace."

Analysts agree that the company's cumbersome structure has long been due for an over-haul, but remain divided about the wisdom of abolishing the autonomy of its most successful subsidiary, Mercedes-Benz was responsible for the bulk of the DM1.6bn (£560m) profit estimated for 1996, carrying the burden for other units such as the aeronautics division Dasa which is barely breaking even.

Insiders suspect the fate of Mercedes was sealed by a long-running power struggle between its chairman, Helmut Werner, and Mr Schrempp, who emerges

from the overhaul with greater control. Mr Werner resigned in disgust last week. A curt company statement issued yesterday thanked him for his outstanding achievement to the group.

Analysts point out that whereas Mr Werner was a respected figure in the motor industry, Mr Schrempp, who will now have the final say over new models, worked his way up in Daimler Aerospace.

But there is no disputing Mr Schrempp's achievement in turning around Germany's industrial giant. After a record operating loss of DM5.7bn in 1995, Daimler-Benz was nudged back into the black last year.

IN BRIEF

• A consortium including United Utilities has won one of two contracts to take over the running of water and sewerage services in the Philippines. The 25-year deal, requiring investment of \$1.7bn (£1bn), involves the company taking a concession to operate the water system for the east of the capital, Manila, with its partner Bechtel through a joint venture called International Water. Initially the United Utilities consortium will inject \$80m of equity into the consortium, which will serve 4.6 million customers out of Manila's total population of 12 million. United Utilities said there was a good prospect that the new water operation could be ultimately floated. One task will be to clear up Manila's basic or non-existent sewerage systems, a major cause of cholera.

• The British Bankers' Association is urging mortgage lenders to start disclosing the way they account for mortgage incentives worth hundreds of millions of pounds a year, following a warning from the Bank of England. The banking industry's trade association has published a consultation paper which tightens up current practice. The Bank warned last May that "caution needs to be exercised in the methods of accounting which are adopted for any schemes used to induce business". Problems arise because mortgage lenders do not have to disclose whether they are paying for the incentives during the financial year in which they are granted, or whether they are spreading the cost, or amortising it, over a number of years. Lenders also do not have to disclose the period over which they are spreading the cost.

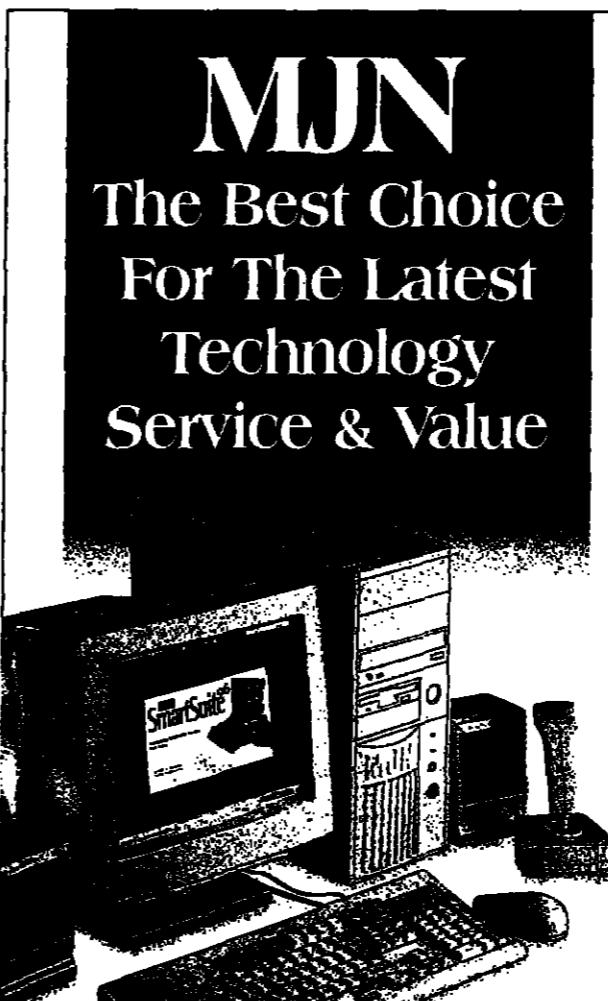
• Royal Bank of Scotland expects to create 200 jobs in Southend over the next five years after it opens new premises there for the bank's Credit Card Centre. Chairman Lord Younger said the move is necessary because of the growth in its credit card business.

• BZW believes the current bull market has further to run, despite shares being overvalued by historical standards. The investment bank's latest annual study of investment trends dating back to 1918, the BZW Equity-Gilt Study, puts the annual real return on equities at 12.9 per cent since the current upswing in the market began in 1981. That is more than double the 7.9 per cent long-run average, but Michael Hughes, head of BZW's economics and strategy, said he saw no reason for the sort of rise in interest rates which would bring the latest run to an end. A correction was more likely to come in 1999, during the next upturn in the economic cycle. Full report, page 24

• The Big Six leading accountancy firms are threatening the future of the venture capital industry by planning to operate a cartel under which they will limit their liability on due diligence work, claims the British Venture Capital Association.

It says in a submission to the Office of Fair Trading (OFT) published yesterday that the proposed agreement, by such firms as Coopers & Lybrand, KPMG and Arthur Andersen, would "seriously restrict competition" between the accountancy firms. It also argues that it would "interfere with the rights and ability of BVCA members to negotiate agreements for due diligence services on an individual basis".

The move follows the Big Six's application to the OFT last autumn for approval of a £25m cap on damages arising out of claims, mostly in the management buyout field, as part of the firms' long-running campaign to protect themselves from companies' increasing willingness to sue. One firm, KPMG, has already incorporated its audit arm and at least two others are planning to set up limited liability partnerships in Jersey to



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P165+ Model	£1172.65	£998
Processor	66MHz Pentium	+VAT
RAM	32Mb EDO	
Modem	33.6 V34+ BABA	

P165+ TX Model	£1395.90	£1188
</tbl

business

Medeva link-ups boost drug shares

Magnus Grimond

Medeva, the pharmaceuticals group, yesterday prompted share price rises across the sector after unveiling collaborations with two biotechnology companies and an upbeat statement on its drug pipeline.

Peptide Therapeutics saw its shares jump 47.5p to 289p after Medeva said it was spending £3m taking a 2.5 per cent stake in the Cambridge-based group at 340p a share and transferring to it a portfolio of vaccines.

In a separate deal, Medeva is taking on the full clinical development of a "chiral" form of its methylphenidate behaviour-modifying drug from Chiroscience, whose shares rose 9p to 327.5p. Medeva's shares ended 8.5p higher at 288p.

The positive news dragged up shares in British Biotech, the UK biotechnology industry's biggest group, by 21.5p to 230p, while Celsis also saw a 2p rise to 112p after announcing a new marketing alliance for its System-Sure hygiene monitoring system with Diversys, part of Unilever.

The Peptide deal will see

Medeva hand over certain intellectual property rights to oral and nasal vaccine technol-

ogy for a consideration of £1m, with a further £1m contingent on development work to be carried out by Medeva over the next two years.

One of the best short-term

prospects relates to a vaccine against E. coli, the bacteria which has killed 17 people in Scotland in one of the worst outbreaks ever. Clinical trials on that are likely to start next year, while phase one tests on a nasally administered flu vaccine and phase two trials of an oral typhoid vaccine are both due to begin later this year.

Medeva's chief executive, Bill Bogie, said it would retain the right to commercialise the product, giving a royalty to Peptide. The market for vaccines, which was worth £2.1bn in 1995, is expected to double over the next few years.

Meanwhile, analysts have come to underwrite the future growth prospects for the drug, which in its normal form is Medeva's main product. Chiroscience said a phase one study involving 12 healthy adults had confirmed the tolerability of the new formulation and had demonstrated dosing advantages. Medeva will now take it

into commercial development, leading to a regulatory filing expected in the second half of 1999 in both Europe and the US, and will also finance the scaling up of the manufacturing process.

The success of a chiral, or

more chemically pure, form of methylphenidate would allow Medeva to patent what is currently just a generic form of Ciba's Ritalin, used in the control of unruly children. Some of the possible benefits of the new drug are that it could be used at half the dose, offer fewer side effects and be more reliably effective across a greater range of people, Mr Bogie said.

Medeva also reported an encouraging response to both the latest phase three trials of its Hapagene compound as a vaccine against hepatitis B and proof of principle tests for its efficacy as a treatment for the disease.

Mr Bogie said Medeva would apply for a licence to sell the vaccine in the US and Europe in 1998 to access a market of 500,000 doses a year. It would decide by mid-year whether to move to commercial development of Hapagene in its treatment form, he added.

3i chief executive surprises City with early retirement

Peter Rodgers
Financial Editor

Ewen Macpherson yesterday surprised the City by announcing he is to retire early as chief executive of 3i, the venture capital group he steered to a stock market flotation in 1994.

A spokesman said the departure was "very straightforward". There was no disagreement and no question of a payoff to Mr Macpherson, who has been with 3i for more than 25 years.

Mr Macpherson said: "I shall not be retiring from business life but, at the age of 55, I am looking forward to new challenges."

I shall be continuing my non-executive activities at Scottish Power and M&G Group."

A 3i source said: "He surprised quite a lot of people, but he could have stayed as long as he wanted." He is understood to have come back to his office this week after his 55th birthday on Sunday and told colleagues of his plan to depart in the summer. In the City, there was speculation that he would soon be in line for a non-executive chairmanship.

Mr Macpherson is to be succeeded in July as chief executive by Brian Larcombe, 43, the finance director. Martin Gagen

and Peter Williams, joint heads of the UK investment business, are to join the 3i board as executive directors.

As well as earning a full pension from 3i, where he was paid £392,000 in the year to March 1996, the accounts show that Mr Macpherson held share options which at last night's price would have given a paper profit before tax of just over £2m.

Sir George Russell, chairman of 3i, said Mr Macpherson had steered 3i through a period of substantial change and development. "Many of the achievements are due to Ewen's vision, determination and persistence."

Added to this is the positive sentiment in the market, where the City believes in Mr Hoerner and is confi-

London Clubs takes a stake in Vegas

Tom Stevenson
City Editor

London Clubs International, owner of the Les Ambassadeurs and Ritz gaming clubs, is moving from its luxury West End heartland to take a stake in a hotel and casino on Las Vegas's main boulevard, known as "The Strip".

LCI said yesterday it was investing \$50m (£31m) for a 25 per cent stake in Aladdin Gaming, a casino operator which has just received approval for a giant 2,600-room hotel development with a 125,000 square foot main casino floor and a themed entertainment and shopping mall.

Alan Goodenough, chief executive of London Clubs, said: "We are very pleased to be entering the world's largest gaming market with Aladdin. The redeveloped and expanded Aladdin Hotel and Casino will allow London Clubs to offer an entirely new standard of luxury in the Las Vegas market."

Aladdin said it had been attracted to London Clubs because of its expertise in running so-called "salle privée" gaming clubs. The expansion of the Aladdin casino will include the de-

velopment of these top-of-the-market gaming facilities. Jack Sommer, chairman of Aladdin, said: "We are bringing the premier international gaming company to the entertainment epicentre of the world."

London Clubs, now worth

about £430m after tripling in value in the past two-and-a-half years, has been expanding its business rapidly in Europe and the Middle East since it floated on the stock market in June 1994. The Aladdin project is London Club's first gaming

venture in the US, and is thought to be the first big operational involvement in a Las Vegas Strip hotel by a publicly quoted European company.

As well as taking a 25 per cent

stake in the underlying property of the Aladdin and its gaming



The Strip pays off: London Clubs' shares rose 15p to 345p after it invested \$50m in Las Vegas-based Aladdin Gaming

operations, LCI will have total responsibility for the operation of the venture's "premium player" activities, which will have 30 tables and 100 high-level slot machines. LCI will have a seat on Aladdin's board.

The market welcomed the move yesterday, with London Clubs shares closing 15p higher at 345p, helping reverse the weakness in the price since interim figures in December highlighted a shortage of high rollers at the company's leading casinos in the capital.

London Clubs' shares closed 15p higher at 345p, helping reverse the weakness in the price since interim figures in December highlighted a shortage of high rollers at the company's leading casinos in the capital.

Despite the relatively static flow of regular premiums, the merged organisation's PEP and unit trust income rose 53 per cent to £38m, underlining a growing trend for savers to opt for one-off investments rather than stick to long-term schemes.

Both companies merged to become a new £1.5bn insurer last year, in a move expected to cost up to 1,800 jobs, a quarter of staff in both organisations, this year.

The merger reflected long-running contractions being suffered by the UK insurance industry, hit by rising costs and over-supply in an increasingly competitive market.

Refuge's income dipped to £11.9m, while United's dropped by £1.6m to £7.5m. Nevertheless, the results were

underpinned by the merged company's group chief executive George Mack: "Overall business performance was broadly in line with expectations, maintaining progress in the latter part of the year, following the announcement of the merger."

"Our immediate priority is to continue with the integration of the two organisations as quickly and effectively as possible, while at the same time minimising any disruption to the production of new business."

Radio Chelsea will be backed by advertising and will broadcast from 8am to midnight on home match days, using a restricted license granted by the Radio Authority. Its coverage will revolve around the club's matches, offering a running commentary of the game along with pre-match build-up and post-match analysis.

Celebrities who support Chelsea, such as MPs David Mellor and Sebastian Coe, and racing driver Damon Hill, are likely to pop up as guest presenters.

Planet 24, creator of Channel 4's *The Big Breakfast*, was part of a consortium which failed a few months back to win a licence to start up a radio station specially pitched at home-savvy adults in London.

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sport

FA CUP COUNTDOWN: Former Wembley winner plans to make life difficult for Wednesday. Guy Hodgson reports

Carlisle in profit after Day's work

Mervyn Day can recall plenty about his one FA Cup final. Or at least the Carlisle United manager can, now after his children bought him a video of West Ham United versus Fulham in 1975. Until then the day was just a blur.

At 19, finals were things he expected would come along at regular intervals. More than 20 years on, as he prepares his players to meet Sheffield Wednesday of the Premiership in tomorrow's fourth round, he knows better. He sampled Wembley barely out of his adolescence and never got there as a player again.

"Billy Bonds, the captain, turned to the lad and said: 'Drink the atmosphere, but make sure you remember because it might come round only once in a lifetime.' With the brashness of 19-year-old youth I didn't. I could remember getting the medal and bursting into tears and that's all.

"My kids bought me a video four or five years ago and then things started to come back to me a little bit. I remembered Alan Taylor's two goals because they were shown over and over again on television but the rest of the game went by in a flash."

Which is not how you would describe Day's goalkeeping career. More than 700 matches, most of which were played in the top two divisions, were testament to his longevity with, among others, West Ham, Ley-

ton Orient, Aston Villa and Leeds. The last of those games was with Carlisle in 1993 before he lost the player part of his player-coach title and then succeeded Mick Wadsworth as manager a year ago this week.

He is in charge of a team with a yo-yo record and works with a go-go chairman, Michael Knighton, whose profile is unprecedented outside the Premiership. Two years ago the club were promoted to the Second Division, last season they were relegated and this time they look poised for elevation again. One thing that can say about Carlisle is that they are not boring.

They hardly could be with Knighton around. The ball-juggling director of Manchester United turned Carlisle owner has kept the club on the map with various escapades that may or may not have included an extra-terrestrial experience.

But if meeting ET seemed far-fetched, it was mild compared to his prediction that Carlisle, then languishing at the bottom of the League, would be in the Premiership within 10 years.

"The chairman, quite rightly, has qualified that," Day commented, "by saying that was his intention at that time, which was before the real influx of money from the Sky TV deal. Now you only have to look at someone like Ravanelli, who is supposed to be earning £42,000 a week. That's light years from what we would call the real world of the Third Division."

"Realistically this club has the potential to reach the First Division in five or six years, maybe sooner. Once you are there the gap between the Premiership and the First Division is there for all to see. If a club like Wolves, who have spent a fortune, can't make the jump then you have to say getting into the Premiership is difficult."

But isn't it equally difficult working with someone like Knighton? "In some aspects it's a blessing," he replied. "Last year we were relegated and I didn't take any flak because I was here. I know I'd only been

in the job a few months, but even so it's unusual that the manager doesn't take his fair share of stick. It was all aimed at the chairman."

"I can't have my cake and eat it. In the good times, he's a personality, everyone knows Michael Knighton because of his connections at Manchester United and if he gets the credit when we do well I can hardly complain. I have a good relationship with him, we both know where we stand with each other."

Day is a rarity in being a goalkeeper who has become a man-

ager, although his stock answer to his credentials is: "It's about man management and motivation. If you can coach you can coach, it's a simple as that."

As part of his managerial ed-ucation he is looking forward to pitting his wits against Wednesday's David Pleat.

"I played for David when I was on loan at Luton in 1992 and he's a very interesting man to work for. He's a deep thinker who is always looking for new ideas he can incorporate into training. Some of his warm-up routines I hadn't seen before and I'd

let's be totally honest. You'll have heard it all before but we need to have an exceptionally good day, to be playing at 150 per cent, and they have to be below par for us to spring a surprise. That's not to say it's not going to happen."

"For my young players it's a chance to prove they ought to be playing higher up the League while the older ones need to be reminded that days like this might not come around again."

Day, a Cup winner at 19 and no nearer than a semi-finalist after that, is testament to that.

Photograph: David Ashdown

Mervyn Day, the Carlisle United manager, believes an upset is possible against Sheffield Wednesday tomorrow

Miracle man quits Mouscron to become national coach

Belgium

Just when they were beginning to believe that miracles might happen and that their club might actually win the Belgian League title in their first season in the top flight, the fans of Excelsior, Mouscron, have lost the man who was making their dreams come true.

A little club from an industrial town near the French border, Mouscron have been eclipsing the traditional giants of Belgian football like Anderlecht and Club Bruges all season. They lead the First Division by four points. It is the equivalent of, say, Barnsley reaching the Premiership - and then threatening to win it.

This week, though, Mouscron lost their coach, the inspirational Georges Leekens, who was appointed national team coach following the dismissal of Wilfried van Moer.

Leekens, who has in the past coached Club Bruges, Anderlecht and Turkey's Trabzonspor, said: "This is perhaps the most difficult challenge I ever accepted. It will be tough but I'm full of confidence. I hope that we will get that national, patriotic feeling back again."

One player who will not be part of Leekens' squad for his first game in charge, against Northern Ireland in Belfast on 11 February, is Gilles de Bilde. The Anderlecht striker, who was caught on film punching an opponent in the face during a league game against Eendracht Aalst last month, was this week banned from playing until the end of March by the country's football authorities. He also faces court action on assault and grievous bodily harm charges.

De Bilde's victim, Krist

Porto, suffered a broken eye, socket and nose. He still suffers from blurred vision and headaches, and has to rest for at least two more weeks before undergoing any further treatment.

Ethiopia
Ethiopia's football federation said yesterday it would be briefed by the remnants of its national squad before deciding whether to pull out of the African Nations Cup following the defection to Italy of most of the team.

Sebsebe Haile Marin, a federation official, said it had been decided to hear first from the remaining loyal players who were expected to return from Italy to Addis Ababa last night. The federation would then decide whether to withdraw from the cup.

A total of 16 Ethiopian squad members sought political asylum in Italy on Wednesday after slipping their escort during a stopover in Rome on the way to an African Nations Cup match in Morocco. Yesterday, though, five players apparently withdrew their requests for asylum and asked to return to Ethiopia.

An Addis Ababa newspaper, *The Monitor*, criticised the

federation yesterday for what it said was "misreatment and abusive practices" which prompted the 15 players and the coach to defect. It claimed Ethiopia's football establishment was riddled with inefficiency and double standards.

Spain

Porto, suffered a broken eye, socket and nose. He still suffers from blurred vision and headaches, and has to rest for at least two more weeks before undergoing any further treatment.

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Scottish clubs seek new League

The chairman of 15 Scottish football clubs yesterday vowed to continue to press for a reconstruction of their league. They want a new three division set-up, with 16 clubs in the top flight and 12 in each of the other two leagues.

Five Premier Division clubs - Dundee United, Motherwell, Kilmarnock, Dunfermline and Raith - and all 10 First Division

clubs met at Clyde's Broadwood stadium in Cumbernauld to discuss their suggested changes. Now they will bring the other five Premier clubs and the 20 in the two lower divisions into their discussions.

However, it is not clear whether the top clubs, including Rangers and Celtic, would go along with changing the present set-up. Clydebank's managing director, Jack Steelman, is behind the moves, which he says are designed to protect middle-ranked clubs threatened with closure because of financial difficulties.

Steelman wants an end to the current system of four leagues of 10, which was introduced three seasons ago.

"This year we will be champions 100 per cent. When we are

champions I'll give all the footballers a villa," Erdal Agar told the sports newspaper, *Footie*. Agar added he had already reached about £600,000 to the club. "I am ready to do everything for Besiktas' success. In my son comes first, then Besiktas," he said. Besiktas are fourth in the table with 38 points, seven points behind the leaders, Galatasaray.

Turkey

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Rupert Metcalfe

Italy should now hold few real fears for Glenn Hoddle at Wembley next month. The England coach flew out of Sicily brimming with confidence after watching Cesare Maldini's reign stutters into life with a 2-0 friendly win over Northern Ireland on Wednesday, writes Rob King from Palermo.

This is a team which offers minimum guarantees," said an unimpressed *La Gazzetta dello Sport* newspaper, while Gianni

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made by the team's autocratic general manager, George Young, and seemed to have gained the authority he sought when he joined the Patriots four years ago. But under a new owner, Robert Kraft, this appears to have been steadily eroded, a process emphasised by the choice of Terry Glenn, the wide receiver Kraft covets, as the Patriots' first pick of last year's draft rather than the defensive player Parcells preferred.

When Parcells requested

that a year be taken off his contract, making 1996 his last season, his departure was widely predicted, but as the Pats progressed to the Super Bowl so the clamour to keep him grew.

This week, however, it has

been clear that Parcells and

Kraft remain at odds over his

responsibilities - there has also

been talk of a personal rift - and it seems almost certain that Parcells will return to New York

where the Jets are thought

to have promised him complete control.

Known as a players' coach, many will miss him, but not

it seems the most important one, Drew Bledsoe, the

Patriots' brilliant young quarterback, has suffered more than most from Parcells' unforgiving tongue, and there were detectable signs of relief as he reacted to this week's stories.

Bledsoe will have to play at his very best for the Pats to have any chance, with even Parcells acknowledging his side's status. When the Pats' Mike Holmgren claimed himself as the underdog head coach, because of his lack of Super Bowl experience, Parcells retorted:

"I don't know about that, I know whose team is the underdog."

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"I've known throughout the

last four years that at

some point in my career Bill is

going to be gone," Bledsoe

said. "Sometimes it's pretty

enticing."

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